The MAGAZINE of WALL STREET

BANKING EDITOR H. PARKER WILLIS
EDITOR RICHARD D. WYCKOFF
MANAGING EDITOR E. D. KING

THE OUTLOOK

Brokers and Loans—The Business Situation Today—Solution of Coal Problem Imperative—More About Bucket Shops—The Market Prospect

THE correspondence between a local Stock Exchange authority and the New York attorney who has been conducting an urgent agitation against speculation, has brought to the front one interesting question of some considerable importance which deserves rather careful thought. The Stock Exchange authority urges that the present method, whereby a broker uses the collateral left in his hands as the result of his customer's purchases to furnish protection for his loans at banks is absolutely essential, and that without it the present system of speculation would effectually and hopelessly play into the hands of private banking houses or of other bankers, while it would stimulate bucket-shopping to an abnormal degree. His legal correspondent evidently holds to the opposite view, and apparently believes that the practice in question is highly obnoxious.

Just what are the ethics of this method of obtaining funds for the support of speculation and investment? Under present practice, the average buyer of stock, not having enough funds at his own command to carry through his transactions, borrows the remaining amount from his broker, who then pays for the purchased stock. The stock then passes into the hands of the broker himself, pending the time that the customer either authorizes its sale or completes his payment for it. During this intervening period, he evidently must have at his disposal an amount equal to the difference between his customer's "margin" and the purchase price of the stock, or else he must obtain a loan in that amount from some outside source. He does, in fact, obtain such loans from the banks. The latter, therefore, become the holders of the stock, which has been partly paid for by the broker's customers.

Mr. Cromwell is undoubtedly right in his statements that the abolition of this system would result in driving the buyer of stocks direct to a bank, and that the broker would thus be eliminated—at least in large measure. It may also be that, as alleged, the broker addicted to illegitimate methods, the bucket-shopper or worse would be encouraged, inasmuch as the small buyer of stocks would not have the banking connections that would enable him to borrow freely and to enter the market. He would continue to go to a broker, but that broker, having avenues of legitimate borrowing closed to him, might allow himself to engage in the illegitimate methods of bucket-shopping. However this may be, it is hardly an argument one way or the other. Sufficiently vigorous effort should be made by the constituted authorities to suppress bucketing, no matter when, by whom or how extensively practiced. The only question that is worth very serious consideration is the relationship between the public, the legitimate broker and the banks.

Clearly there need be no criticism of the present method of borrowing provided that brokers do not use the funds that they obtain for any purpose other than the carrying of their clients. If they borrow on stock which only partly belongs to them, and with the proceeds engage in speculation on their own account the case is quite different, and they ought not for a moment to be permitted to carry on business in that way. The funds in the broker's hands should be treated as absolutely fiduciary holdings, retained by him for account of his customers and for them only and in no way subject to other uses. If this relationship cannot be maintained under existing law, further legislation on the subject should be called for. As often

happens, it is not the technique of the situation that calls for correction so much as it is the underlying conditions themselves.

The point at issue is really a matter of stock market ethics, nothing more nor less. It is highly necessary to develop a system in which the ethics of the broker's relationship will wholly forbid the use of his customers' funds for any purpose other than the carrying of that customer. Speculation, investment, operations of any kind whatever conducted with the funds placed in his hands by customers ought never to be undertaken. The analogy is often drawn between the operations of the broker and those of the banker, the latter engaging in loans, discounts and other operations based upon the deposit of actual funds left to them by a customer. No such analogy really exists. The management of the bank is surrounded by careful regulations and restrictions designed to insure appropriate control and sufficiently to limit the liabilities undertaken. The broker may engage in as hazardous operations as he chooses without let or hindrance. He is not a banker in any proper sense of the term and only harm can come from permitting the apparent fusion of brokerage with banking.

HOW IS BUSINESS?

If anything, there has been some little surcease of the constant croaking of "forecasters" of depression during the past two weeks. Business conditions are certainly no worse than they were at that time. On the contrary, they are somewhat better insofar as autumn prospects and the outlook for winter trade are concerned. Most close observers note a disposition to restriction of buying which prevents the placing of forward orders very far ahead.

This is not surprising in view of the various uncertainties that have surrounded trade, and it need not be taken as indicative of anything abnormal. It would seem that there is a demand for goods fully up to the average seasonal requirements of commerce, and that both employment and the volume of production are proceeding under normal conditions. This is unmistakably the fact in the case.

The truth of the matter is that the principal causes of depression or disturbance in business are not the result of some cycle which brings an inevitable downward turn in activity, but are simply found in the existence of unwise political schemes and dangerous threats which have somewhat chilled investors and business men, making them disinclined to undertake any far-reaching commitments. Along with these conditions is, of course, the further fact that the foreign outlook has assumed so gloomy and forbidding an aspect. This latter phase of the situation is not so much under our control as is the domestic, but it is at least in part subject to the working of domestic policies. The question: How is Business, should be answered simply with the question: How is politics?

COAL STRIKE PROBLEMS

The coal situation continues to agitate the country as the first of September draws near and no final conclusion has apparently been reached with respect to the settlement of differences between the miners and operators. No doubt it is true that some plan will be patched up and that we shall "muddle through" the winter as we did last winter, eking out our anthracite by various expedients. The fact remains that we cannot continue as things now stand and that, as has so often been said, it is imperative that we should refuse to let another year go by under existing conditions. It is essential that some provision be made which will guarantee the community and the producer against the constant recurrence of this threat which has now assumed an almost annual frequency.

The excessive price of coal today constitutes an almost unbearable burden to the consumer of limited income. He cannot at present prices purchase sufficient fuel to maintain the comfort of his family, nor can business with fuel at its present price afford to use coal as it should. The effect of the abnormal price of fuel is, moreover, to heighten all other prices and thus to throw out of gear the general cost of living. Financially speaking, the situation has a disastrous influence. It introduces uncertainty into the railroad and industrial position, tends to cause unnecessary fluctuation in values and is unfair from every standpoint. There is no reason why the coal question should not be definitely solved in some way that will remove the bulk at least of this doubt and uncertainty.

BRANCH BANKING

Apparently the branch banking issue is coming again to a head in connection with Federal administrative policies. Controller of the Currency Dawes, according to a report, is indisposed to maintain the policy initiated by his predecessor, who had apparently determined to permit the creation of additional "offices" in the same towns or cities in which national banks were located. This proposed policy has been productive of the utmost friction for a long

time past, the rank and file of bankers feeling that any such measure was highly undesirable, not so much for its immediate effects as for what it might lead to later.

The larger banker in the cities has, on the whole, been pleased with the policy, although not universally so. As for the country at large, it has been disposed to look upon this policy as equivalent to a concession to the so-called "trusts" which have been such a bugbear for a long time past. In fact, the question cannot be satisfactorily solved by administrative action. It is a large question involving our entire structure of banking and the competitive conditions under which banking is conducted. It is therefore a question which deserves to be dealt with by legislative action of an independent sort. Designed to furnish the basis of a symmetrical and equitable development of the banking structure, Congress has always been disposed to shirk the issue notwithstanding that there was a call for distinct adjustment of it many years ago. It cannot get out of the present impassé without such Congressional action at an early date.

BUCKET-SHOPPING AGAIN

DISCLOSURES that will "rock Wall Street to its foundations" have been promised in the case of two convicted bucket-shoppers who meantime are, according to report, since officially denied but widely accepted, allowed to wine and dine practically as they please and where they please, though perhaps in the company of officials by whom they are supposed to be held in custody. Rumors of immunity partial or total for them on account of their confession are in circulation. All this may be exaggeration or imagination but there is something behind the sensationalism with which the case has been invested. Not too much weight need be given to the accusations brought by this precious pair until at least the charges which they alleged to make have been demonstrated.

What is perfectly clear is that there was insufficient supervision of the brokerage business or inadequate application of the law governing the relations between members of brokerage concerns and the business or between them and possible silent partners. The public has lost none of its distaste for the offensive conditions which were revealed in the recent trials designed for the purpose of bringing bucket-shoppers to justice, but it more and more recognizes that it is itself at fault for not insisting upon proper management of this kind of enterprise. As for the doings in this particular prosecution they are in various ways not of a character to inspire very much confidence in some of those who have been connected with it. Perhaps later evidence may serve to correct this feeling, but at the present time it is undoubtedly entertained by a considerable number of persons.

LENDING TO EUROPE

MANY schemes of one sort or another for the lending of funds to Europe continue to be brought forward, notwithstanding the fact that there is at the present time less disposition among our banks to advance funds for European credit than ever before, and perhaps less disposition on the part of our citizens to buy bonds based upon European enterprises than ever before. There is a very decided growth of doubt and hesitation in regard to investments outside of the United States, and a total indisposition to make commitments which would involve any reliance upon the stability of European states.

Undoubtedly the collapse of the mark and the evident weakness of francs, as well as of other currencies, tends in this direction, and has helped to damage the confidence of investors who might otherwise have been disposed to advance funds to satisfactory borrowers. Whatever the expectation may be, the fact remains that our present attitude is continuing greatly to restrict our trade. There is every reason to fear that, instead of improving, it will decline in scope and value in so far as Europe is concerned, while on the other hand there is abundant ground for the assertion that unless European enterprises can get our raw materials they must suffer correspondingly, with the result that their borrowing power will be still further impaired.

There never was a moment when the absolutely imperative demand for a readjustment of financial relations which would permit the growth of steady and responsible trade between the United States and the various states of Europe based upon ordinary commercial security had become so manifest as it is today.

THE MARKET PROSPECT

THE market continues to give evidence of the turn for the better which occurred some weeks ago. We note increased confidence among business men and investors. The financial and security market outlook is healthier than it has been for many months, and we are looking forward to a resumption of the upward swing forecasted in the preceding issue.

Monday, October 23, 1923

What May We Expect of Coolidge?

Will He Duplicate Harding's Attitude Toward the Pressing Questions of the Time?—How Will Business and the Investment World Fare at His Hands?

A Study by THEODORE TILLER

CALVIN COOLIDGE is constructive, cautious, conservative—but not reactionary. Indeed, in his makeup there is a blend of New England progressiveness, which brand of liberal thought should not be confused with the more rampant progressiveness, or radicalism, of the West. There is none of radicalism in Coolidge; no word or deed of his life to date would so label him.

The critical and experienced observers of Washington have made a quick appraisal of Calvin Coolidge, the new President of the United States, and reached the conclusion that he is going to make good. He seems thoroughly sincere in his promise to carry out the "Harding policies." This does not mean that President Coolidge will be a rubber-stamp executive, or that he will submerge his own personality and views. It apparently means that existing problems passed on to the Coolidge administration because of the death of President Harding will be worked out as Harding and his Cabinet—now a Coolidge Cabinet—were seeking to work them out. As new issues arrive President Coolidge will meet them in his own way.

Coolidge's "Own Way"

The "own way" of the new President probably will be more direct than the Harding way. While Mr. Coolidge always is cautious, and was once nicknamed by one of his friends "Cautious Cal," he acts quickly in an emergency and in the past his judgment has been found generally sound. He has a habit of getting advice, while he says little himself. He listens patiently and absorbs every worth while suggestion of the other fellow. Then, without the waste of a word, he tersely announces his decision and it stands.

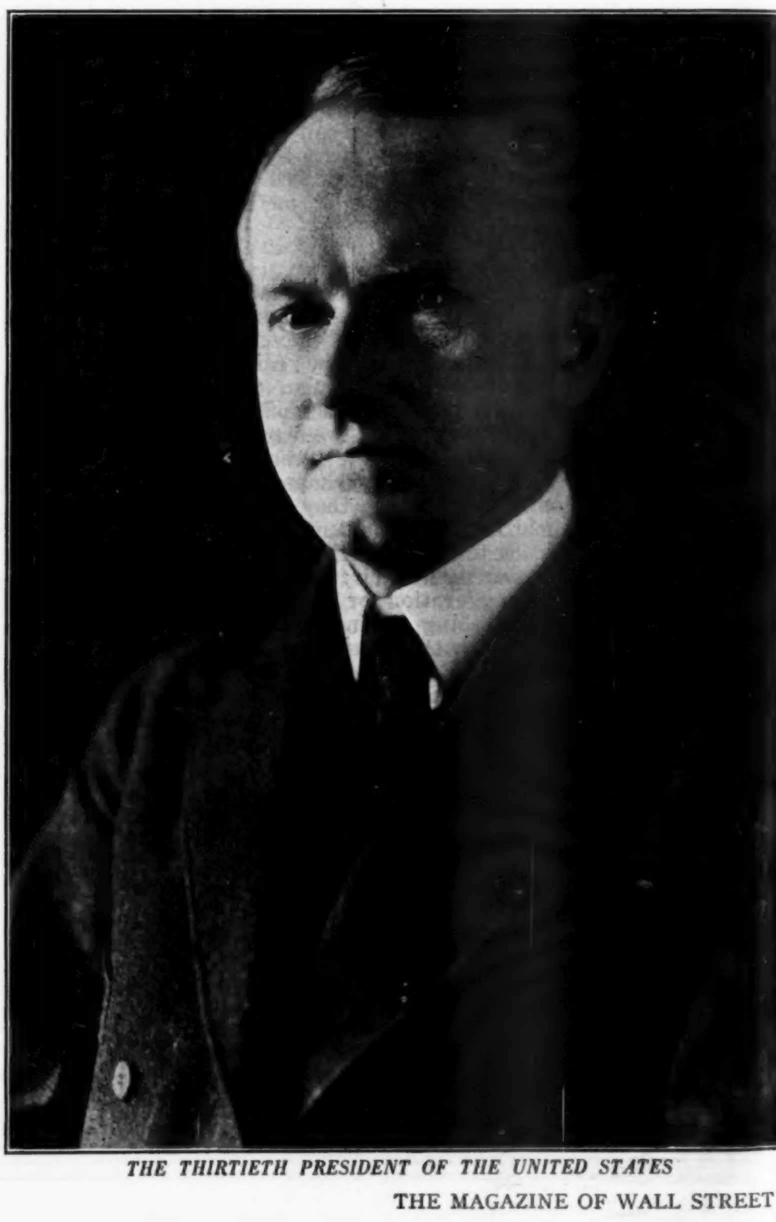
The view of business, as it is reflected by business men who come and go in Washington, is one of satisfaction over Coolidge. There is neither surface nor sub-surface indication that he will make an unsafe President. He is not shifty, erratic or given to day dreaming, and impractical visions. By nature and training he is safe and sound—and the laborer as well as the capitalist wants a President of that type.

There is a Coolidge speech of just 101 words that reveals, better perhaps than anything else he ever said, the political, legislative and administrative creed and philosophy of the present President of the United States. Calvin Coolidge delivered it when he was elected as president of the State Senate of Massachusetts several years ago. Preceding presidents of that Senate had made long and flowery speeches on assuming the office. Coolidge used only 101 words, but, in the slang of the day "said a mouthful." The text of that address is reproduced elsewhere on these pages.

There is a great deal in that speech, as brief as it is, to give confidence and comfort to the legitimate business and industry of the country. In it, too, is written a creed of justice for the man on the street, the laborer, the person of small property, the farmer, and the average fellow.

Washington observers attach a great deal of significance to the Coolidge phrase:

"Don't hurry to legislate. Give administration a chance to catch up with legislation."



THE THIRTIETH PRESIDENT OF THE UNITED STATES

In this country there is a growing impression, not confined to business men or to any one class, that both national and state legislative bodies have run rather wild in recent years in a hurry to legislate. Administration has not had opportunity to catch up with legislation. There has been a legislative orgy. Of course, many of the remedies have been abortive; others have been worth while. Legislative attempts have embraced almost everything—ranging from expedients for the relief of a depressed agricultural industry to the regulation of the personal habits of the citizen, or the branding of the material that goes into his suit of clothes, or the size of the barrel or crate in which he ships his apples or vegetables to market.

President Coolidge, in a recent speech, said something else about legislation. It gives further insight into the mind now guiding the American government. He said:

> *"The people cannot look to legislation generally for success. Industry, thrift, character, are not conferred by act or resolve. Government cannot relieve from toil. It can provide no substitute for the reward of service. Ultimately, property rights and personal rights are the same thing. The one cannot be preserved if the other be violated. Each man is entitled to his rights and the rewards of his service, be they never so large or never so small."*

When Calvin Coolidge was suddenly elevated to the presidency there was a great scurrying in Washington to glean from his writings and past speeches some idea of the makeup and the viewpoint of the man. It was found that he was not committed on many of the problems before this country and the world today. By custom the Vice-President of the United States has a silent role on the stage of government. He presides over the Senate, in which he has no voice and no vote, unless in case of a tie. He "pinch hits" for the President at many social functions and affairs of state, but is supposed to have nothing to do with either the formation or discussion of administration policies.

THE FAMOUS 101-WORD SPEECH

Delivered by Calvin Coolidge when elected president of the State Senate of Massachusetts several years ago:

"Do the day's work. If it be to protect the rights of the weak, whoever objects, do it. If it be to help a powerful corporation better to serve the people, whatever the opposition, do that. Expect to be called a standpatter, but don't be a standpatter. Expect to be called a demagogue, but don't be a demagogue. Don't hesitate to be as revolutionary as science. Don't hesitate to be as reactionary as the multiplication table. Don't expect to build up the weak by pulling down the strong. Don't hurry to legislate. Give administration a chance to catch up with legislation."

From Observer to President

Calvin Coolidge, by nature a retiring and silent man, held no grievance against the custom of vice-presidential silence. It suited him.

Although the late President Harding established precedent by inviting the Vice-President to meet with him and the Cabinet, it is understood here that Mr. Coolidge seldom spoke out in Cabinet meetings. He was just an observer, a listener from Capitol Hill. In a general way the Vice-President went along with the Administration in all its policies. There was a belief in Washington that he was a bit more friendly to the League of Nations than President Harding and Senator Lodge, of Coolidge's own state, but Mr. Coolidge dutifully kept his silence on this and other matters.

Consequently, when he became President, Mr. Coolidge was almost an unknown quantity to the country, the politicians and the news writers of Washington. His speeches and his one book, "Have Faith in Massachusetts," gave his abstract but not his concrete views on many issues. Even today President Coolidge is yet to reveal himself, and on certain issues the country may not fully hear from him until his first message to the Congress.

For instance, no one appears to know exactly where President Coolidge stands on the soldier bonus. While governor of Massachusetts, Mr. Coolidge signed a state soldier bonus bill, which paid one hundred dollars to each Massachusetts veteran. However, a Federal bonus and a State bonus are two distinctly separate things.

The Harding policy on a soldier bonus was one of approval—whenever the Federal Treasury could stand such a drain. That time did not come during the Harding administration and there is today no appreciable improvement in the condition of the Treasury, nor are the American people any more willing to assume additional burdens of taxation.

A well-informed person here, who has known Mr. Coolidge for years, makes this prediction about his bonus stand:

"Coolidge will not try to initiate bonus legislation. The probabilities are he would sign a bill if Congress sent it to him; but Coolidge will not stir up the bonus question again and will not take the lead in putting such a measure through Congress. He is most apt to let the situation remain as it is and has been."

He'll Stand for Economy

President Coolidge intends to give the country an economical and thrifty administration. He is naturally thrifty and frugal, but not stingy. In private life and as state legislator and governor of Massachusetts, Mr. Coolidge had never felt able even to own and maintain an automobile. For years Mrs. Coolidge has done most of the housework of the Coolidge home—a modest little residence in Northampton for which he has been paying less than $40 a month rental. It is said that until Mr. Coolidge became Governor of Massachusetts, his yearly earnings did not even approximate ten thousand dollars, the salary of a Bay State executive. His income, they say, was around $3,000 to $6,000, varying with the years, but the Coolidges always managed to save part of it. Excepting Abraham Lincoln, Coolidge is said to be the poorest man to enter the White House within the past three generations.

These explanations are incidental support of the statement that Mr. Coolidge intends to effect government economies. The real basis for the prediction is this:

One of the first officials to call upon Mr. Coolidge after he became President was the Director of the Budget, General Lord. It is reliably reported that General Lord informed Mr. Coolidge he was ready to submit his resignation; that a Budget Director necessarily came into intimate

(Please turn to page 862)

Problems Coolidge Will Have to Solve

His probable attitude toward which is suggested in the accompanying study of the man by Theodore Tiller.

RADICAL LEGISLATION THREATS
SOLDIERS' BONUS
COST OF GOVERNMENT
ISSUE OF THE WORLD COURT
IMMIGRATION
REPARATIONS AND FOREIGN DEBTS
COAL SITUATION
TAXATION AND TARIFF

Sizing Up the Business Situation

A First Hand Impression of Business Factors Seen From a Different Angle Than Usual

By E. D. KING

MOST articles dealing with the business outlook are generally pictures of a general situation and where reasons are given for the conclusions reached, they are usually stated in the broadest terms. The net result is that often the reader is left not only with a hazy idea as to the general outlook but is left quite completely in the dark as to how the writer reached his conclusions.

A general picture of the business situation, of course, may prove quite useful, depending on the ability of the writer, but it is probable that experienced readers will prefer to learn more about the intimate details governing major business factors so that they themselves may exert their prerogative of arriving at their own conclusions.

The Graph

While it has not always been possible in these columns to present detailed views of the business situation, we have often done so, actuated just as much by the desire to present data on which our readers could base their own conclusions as to present the conclusions themselves. In this article, such a specialized review has been made, particularly in the full page graph published herewith. This graph is worthy of study not only because of the information it conveys but because of the methods used in arriving at the respective conclusions.

The writer hastens to disclaim any thought of attempting to convey the idea that the graph is infallible. It is merely the result of a great deal of labor and thought, presented from an angle, that is more or less original. In the past, this graph has been found useful in coming to a conclusion on the business outlook and last year when published in the August 19 issue, came close to forecasting conditions with remarkable accuracy. The graph has been amended to include current conditions and gives a complete comparison between conditions existing a year ago and those of today.

Arbitrary Factors

In taking the reader behind the scenes, as it were, as to how the graph was worked up, it is necessary to state that two sets of interpretative factors have been arbitrarily used. The first is the *weighting factor.* (See graph.) This weighting factor is nothing more or less than an estimate of the value, in relation to other groups, of each individual group of business factors. Thus, Money & Interest-weighting factor, 30, and Securities factor, 15. Since it is obvious that all economic conditions are by no means equally important it becomes equally obvious that they should be valued in accordance with their importance. It is at this point that the writer is compelled to select arbitrarily the values assigned to the individual groups. The figures, while necessarily arbitrary, have by no means been selected at random. They represent views, carefully worked out and based on knowledge of what these factors are worth in a scale such as that drawn up in the accompanying graph.

It is, of course, quite likely that other students of these matters may find objection to the values assigned to the respective groups and the writer is willing to admit a certain percentage of liability of error. It is unlikely, however, that an error in assigning arbitrary weightings to the various business factors can be so great as to effect materially the reliability of the conclusions.

Another Arbitrary Factor

The second set of arbitrary valuations has to do with the percentages assigned to each individual factor, as to how much of a given condition is considered *favorable* and how much *unfavorable.* A perfectly favorable influence would be one that would be considered to be worth 100%. That would represent perfection. Glance through the list of small figures on the side of each oblong and you will see that no factor has been accorded a rank of 100% for the simple reason that there is no such thing as a perfect factor in any phase of our business activities.

As to how much a factor should be considered favorable and how much unfavorable, that of course has been left to the arbitrary determination of the writer.

Let us cite one instance.

Take the item, railroad gross earnings, to which has been assigned a percentage of 15 on the unfavorable side and 85 on the favorable. Some students might make the figures 20 and 80; others again might make them 10 and 90. To that extent, the figures given through the complete list on the graph may have some variation of error, but it is obvious that where one item may have been overvalued on the favorable side another may have been valued too little, so that there is a tendency for possible errors to compensate for each other. Since after all what the student is interested in mainly is the

(*Please turn to page* 845)

HERE ARE BARGAINS!

THIS ISSUE ABOUNDS IN MONEY-MAKING SUGGESTIONS

The headline used on our cover this issue refers to the more than 30 direct recommendations we are able to make today of securities that appear undervalued in the present market. Among the more conspicuous suggestions, attention is especially directed to those contained in the following articles:

(1) ***Companies That Will Earn $20 a Share or Over in 1923.*** **(*See page* 810.)**

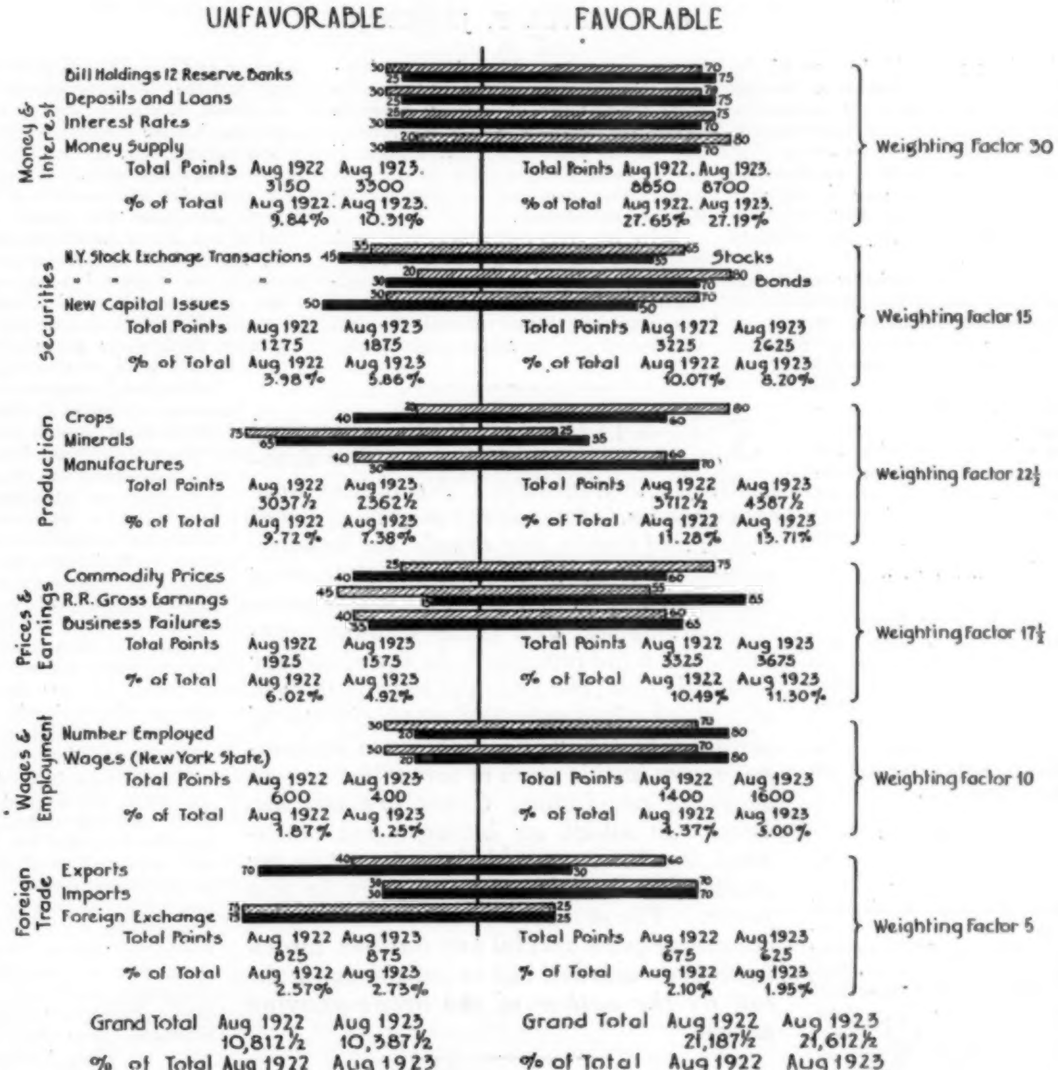
(2) ***Improving Your Investment Position. An article describing how four "switches" can be made to advantage in the present market.*** **(*See page* 815.)**

(3) ***The Best Opportunities Among Over-the-Counter Stocks. Containing a list of over-the-counter stocks of more than ordinary investment value.*** **(*See page* 812.)**

(4) ***Unusual Investment Opportunities Among the Public Utilities.*** **(*See page* 806.)**

Favorable and Unfavorable Elements in the Business Situation

A Comparison of Present Day Conditions with those of August 1922



Explanation:

The weighting factor indicates the relative importance of each group. The figures at the extremities of each oblong indicate the relative percentage of favorable and unfavorable elements within each individual factor. Multiply the total of the percentages of each group by the corresponding weighting factor and the total number of points for each group is reached on both sides, favorable and unfavorable. The item, percent of total, is arrived at by dividing the sum of both grand totals (see bottom of graph) into total number of points for each group, on each side. The final figures indicate a percentage of 67.35 on the favorable side compared with 66.21% last year. In other words, the gain in industry has been held and even slightly increased during the past year·····

Stocks Which Have Made Investors Rich

Why It Pays to Know the Securities of Small and Unlisted Companies—Special Opportunities and Special Precautions

By MERRILL T. JAMESON

IT has been well said that one of the main differences between a successful and an unsuccessful investor is that one knows the investment market, while the other thinks he knows it. Yet even shrewd investors miss excellent investment opportunities, year in and year out, because they think that there are some things of which they can afford to remain ignorant.

One prejudice in particular which has kept investors out of many profit-making commitments is the notion that a big company, for some reason or other, is necessarily a better investment than a small one. There are investors who, after years of experience in the stock market, gain a working familiarity with such stocks as U. S. Steel, General Motors, Atchison, and the like, and feel that they have exhausted the field of profit possibilities.

Now it may not be true that a small or obscure company is necessarily a better investment proposition than a large one, and for our part we do not think it is; yet if some stubborn market theorist came along with such an unorthodox notion, we are compelled to admit that it would be a hard job to prove him wrong.

"SELF-SATISFACTION is the thief of profits" would make a fine desk-motto for any investor. No matter how thorough one's knowledge may be of listed stocks and bonds, one should not be satisfied to let it go at that, without looking into the records and possibilities of some of the smaller and lesser-known companies. To the investor who is unfamiliar with this field, the splendid results in cash and stock dividends and appreciation of capital which have been obtained by commitments in this class of securities are an amazing revelation. Cases are not unknown in which an investor has multiplied ten times over his investment in the stock of a little-known company in five years. These special opportunities, of course, require special precautions, which have been worked out in considerable detail by the author of the accompanying article.

Some Examples

He could easily point to the record of such stocks as Victor Talking Machine, which paid $416 per share on its stock between 1901 and 1922, winding up with a 600% stock dividend, and which is paying $8 a share on the new stock; Great Western Sugar, which paid $195 a share in dividends in the five years from 1917 to 1921, and alone among the big sugar companies, came back to the dividend list in 1922; the splendid records of General Baking (recently listed), Gillette Safety Razor, the Congoleum Co., Borden, Nash Motors (also recently listed), and many others.

In several cases, investors have increased the amount of their original investment tenfold within four or five years, or more than that if they held their stocks longer. This is a record which few of the larger companies whose names are known to every investor could show.

These facts do not mean that there is no money to be made in the stocks of the big-listed companies; or that any small or little-known security is bound to be a money-maker. They do mean, however, that the investor who is anxious to study the business of making money in stocks and bonds in a legitimate, scientific way is making a great mistake if he overlooks the securities of the less well-known companies merely because they are little known.

There are many companies today, each occuping a unique place in its own line of business, which can stand the most seaching investigation as to their earning power and prospects, their financial strength, their record and the caliber of their management, which for their own reasons do not care to give themselves the publicity of a Stock Exchange listing or distribute their securities widely into the hands of the public.

In many cases, these are just the securities which would be most profitable, in the hands of the public. There are two kinds of stocks which are not traded in in the big public markets; those that are too good to be listed, and those that are not good enough to be listed.

This means, of course, that the investor has to keep his eyes open when buying stocks of this class even more than when he sticks to the tested stock-market favorites. It takes a clear head and good judgment to discriminate between the "too good" and the "not good enough."

A Stock Exchange listing does not guarantee that the company which obtains it will make money, or even that it will keep out of bankruptcy. It does, however, mean that a committee of business experts has studied this security and decided that it is not an obvious fraud.

In the case of the obscure or small company, the investor has not even this much assurance. He is left entirely to his own judgment, to sink or swim. The examples cited above prove that it is worth while studying these companies, and keeping alert for the chance to pick up another Ingersoll-Rand or Yale & Towne.

The prospective investor in this type of stock should look for certain distinguishing marks, in addition to the tests which he applies to any kind of common stock investment. While he will not expect a very broad market, because of the nature of the stock, he should see to it that it is of a kind that he can buy easily and sell easily, if need be, and that the dealers through whose hands transactions in his particular stock pass are well-established and reliable.

The company itself should be one which has a good position in its own line of trade, highly specialized as that line may be; and, above all, it should show a continuous growth of business, either because its industry is a growing one or because the company is able to forge ahead faster than its competitors. The companies mentioned in previous paragraphs as conspicuous successes, from the investor's point of view, have all been characterized by a sound and steady growth of business.

Some Points to Ascertain

The company's record should be examined from the point of view of finding out whether its possibilities have already been discounted by market price, and whether it has passed or is still in or is about to begin the period of large dividend payments per share. The most profitable time to invest in this type of security is when dividend payments already made have been large enough to stamp the company as an outstanding success, but before the record so made has aroused the attention of the investing public to

(Please turn to page 855)

Señor Tarafa Tweaks the Eagle's Tail

Introducing a Latin-American Financier Who Bought a Railroad for a Dollar and Threatens Half a Billion of American Investment—His Romantic Rise from a Poor Soldier to the Richest Man in Cuba

By WILLIAM A. BARTLETT

THE Cuban burro is trampling on the long, prehensile toes of Uncle Sam's pet, home-bred, corn-fed eagle, and the eagle is emitting loud and raucous cries of distress and rage. Every Latin-American knows that the eagle is fair game and that it is exciting and reasonably safe to disport to the annoyance of said feathered biped—provided you know when to stop. With the British lion it is different. He is a surly brute and can't take anything in play. When looking for a little innocent fun it is fully as diverting and far safer, to confine one's self to ornithological games.

Now everyone knows, too, that the Latin-American is a highly excitable person who, once started along the path of enjoyment, is apt to run past the block signals. The eagle is a good-natured bird and will stand an awful lot of mauling, but there is an end to all things and even the eagle will turn. When you really get his crest-feathers up it is time to take it on the run, for his claws are frightfully sharp and his long, powerful beak packs an awful wallop.

All of which brings us smack up against Colonel José Miguel Tarafa, the latest and perhaps the ablest exponent of that popular international pastime called "Getting Uncle Samuel's Goat." That the conventionalities may be observed let us introduce the Colonel. Readers, Colonel Tarafa, Colonel Tarafa, our readers! Pleased to meet you I'm sure.

But let us warn our readers right now. The Colonel's battlefield is the dotted line, and there he has few peers and no superiors. If he doesn't sell you something it is only because he has nothing to sell at the moment.

To adequately describe José Miguel Tarafa would require the imagination of a Jules Verne and the pen of Dumas. Richard Harding Davis would have reveled in Tarafa's picturesque personality. Soldier, statesman, politician, financier, diplomat, railroad builder; there is no important activity of our island neighbor in which the Colonel has not played a big part. Take the audacity of Thomas F. Ryan, the sinuosity of David Lamar and the subtlety of Richard Croker, wrap them up in a well-set body about 5 feet 6 inches tall, and you have a fair approximation of Señor Tarafa. Add to that a personality, which even his enemies admit is nothing short of charming, an endless fund of first-hand anecdotes of war and peace, told with the rare art of the perfect raconteur, backed up with delightful bon cameraderie and a hospitality nothing less than prodigal, and the outline is complete. Fill in the details with a face attractive rather than handsome, accentuated by a very determined mouth and eyes gray or blue according to the light, slightly wavy hair flecked with the first touch of frost, and the Colonel is before you.

Fought Under Gómez

The novelist's pen and the special writer's Underwood have not as yet reached Colonel Tarafa. Consequently his antecedents are surrounded with as many myths as St. Patrick's. His foes call him many ill-sounding names; but his supporters say he is a patriot; a great, constructive genius. Midway comment is that the Colonel is strictly a Tarafa man, first and foremost. That he is very brave and won his Colonel's chevrons many times over under Maximo Gómez in the Cuban war for independence, is nowhere disputed. Before the United States intervened, he acted as a liaison officer between the Revolutionists and the Cuban Junta in New York. He had many hair-breadth escapades. On more than one occasion he was captured, court-martialed and sentenced to the firing squad, but always managed to escape.

Freed from war's alarms Colonel Tarafa devoted himself with characteristic vigor and shrewdness to the arts of peace. The current and accepted story of how he made his first stake is as follows. Following the war the Cuban Government decided that the brave *veteranos* who fought for liberty should be compensated. Accordingly a bonus was voted to every officer and soldier, graduated according to rank and services. The matter of redeeming the bonus certificates, however, seems to have been overlooked. Consequently the market value of the certificates was low. Most of the *veteranos* could not read or write and were perfectly willing to sell their certificates for anything they would bring.

Now Tarafa had no money but he had something even better—an exceedingly persuasive personality and a direct, personal, inside wire to political headquarters. Consequently he had no difficulty in interesting certain jolly New York bankers who can see a silver dollar as far off as you can see the Statue of Liberty on a bright day. A syndicate was formed which bought up as many outstanding certificates as were for sale, at from 10c. to 60c. on the dollar.

(*Please turn to page* 859)

Pulling Standard Oil Chestnuts Out of the Fire

How the Governor of South Dakota Helped the Big Oil Producers—How Long Will Situation Last?

By ARTHUR K. JONES

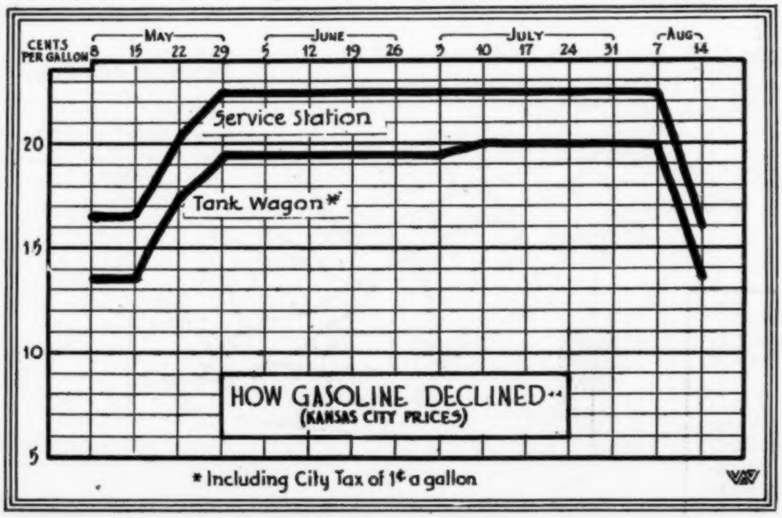
THE year 1923 will go down in history as a black year for the oil industry. Starting under most favorable auspices, with crude and finished product prices satisfactory to producer and distributor, the midsummer has seen the outbreak of the bitterest conflict in the annals of the business. A struggle for the survival of the fittest is, perhaps, a better designation. The causes for the present situation are not far to seek. They are summed up by E. W. Marland of the Marland Oil Co., who says:

"In the oil industry, constantly reoccur periods of oversupply and undersupply to an extent not duplicated by any other important industry. This is due to the inability to foresee the discovery of new pools of oil or to estimate their importance. These unforeseeable influences upon supply, result in extreme and rapid fluctuations in price, and a consequent unsettling of the mechanical operations of the industry."

Three years ago the tremendously increasing consumption of petroleum products was viewed with apprehension. It was felt that that oft-repeated cry of "oil famine" was about to become a reality. The result was that oil drilling the world over was accelerated with feverish activity. The appearance of salt water in the northern, light Mexican fields added to the panic. When, in 1922, it became apparent that these Mexican fields were rapidly passing out as great producers, it was believed that the oil industry was facing a very serious situation. Mexican light crude, from the summer of 1921 to the summer of 1922, jumped from approximately 50c. to $1.80 per barrel. The increasing scarcity of output bankrupted many weaker companies operating in Mexico and caused severe losses to the larger and more strongly financed concerns.

About this time a light appeared in the region of the Golden Gate. California had begun to come in strong as a producer of crude oil and it was felt that the danger of a famine had passed. So it had. Passed from a famine to a flood. The light that was has turned to a dark cloud enshrouding the entire industry. In the late summer of 1922, the Standard of New Jersey began to ship California oil to its eastern refineries via the Panama Canal. In a year's time California's monthly production of approximately 12,000,000 bbls. has nearly doubled, as shown by the following tabulation:

1922	Monthly Total	
July	11,598,000	bbls.
August	11,849,000	"
September	12,205,000	"
October	13,419,000	"
November	12,614,000	"
December	15,427,000	"
1923		
January	16,457,000	"
February	16,427,000	"
March	19,608,000	"
April	20,696,000	"
May	21,535,000	"
June	22,667,000	"



It will be seen, therefore, that with the exception of November, 1922, and February of the current year, there has been a steady and tremendous forward march in California's output. Nor is the end yet in sight, optimists to the contrary notwithstanding. For the week ending August 16, California produced an average of 875,000 bbls. a day or at the rate of the astounding total of approximately 26,000,000 bbls. per month of 30 days. Between 75 and 80% of this oil came from the flush production fields of Santa Fe Springs, Long Beach and Huntington Beach.

Mid-Continent Producers Hit Hardest of All

The reaction from the Niagara of oil pouring from the deep California wells has hit the mid-continent producer and refiner the hardest. Handicapped from the world's richest consuming centers by a tariff wall of freight rates, he is foundering in the sea of his own oil production. As yet no Mt. Ararat appears above the oily surface to offer him refuge.

During the last ten years that central portion of the United States known as the mid-continent section, has supplied a very considerable portion of the oil used in the world. Producing crude and refined products greatly in excess of the demands of its own area, it has shipped a very large part of its output to the Eastern seaboard and Europe. In some years it has even shipped petroleum products to California. Consequently a very substantial business has been built up by mid-continent producers and refiners and the oil industry there has been steadily developed to meet current demands and provide for the normal increase in consumption which it was reasonable to expect.

California Competition

Beginning the current year with increased facilities and large stocks of gasoline against the peak period of the year's gasoline consumption, the mid-continent producer was confronted by an output from the Los Angeles basin of California, aggregating between 60 and 80% of the entire mid-continent production.

Because of the proximity of the new California wells to water transportation, their great production volumes and very

Have you read the announcement at bottom of page 828?

high gasoline content of the oil produced, the cost of production in California is less than one-half of the cost of production in most of the mid-continent fields. The result is obvious. As water seeks its level, so oil seeks its markets. In some cases, it costs twice as much to ship refined products to the Atlantic seaboard from the mid-continent field as it does from California.

Experienced observers knew weeks ago that something was bound to break. Thinly financed mid-continent refiners, carrying large stocks and with their customary outlets clogged by California oil, held on in hopes that the California production would reach its peak and begin to decline. That, however, has failed to materialize. The month of August opened with the mid-continent producer and refiner in an untenable position.

Throwing the Monkey Wrench

From the unexpected hand of the Governor of South Dakota came the monkey wrench which has disrupted and demoralized the entire oil machinery of the mid-continent territory. At the beginning of the second week in August, Governor McMaster announced that he had delegated authority to the warehouse department of his State to sell gasoline to the public at 16c. a gal. He said that he had purchased 160,000 gals. in tank-car lots and more would be bought if necessary. He denounced the prevailing prices as highway robbery and said the state would continue to sell until "the dealers cease their policy of greed and avarice."

With the politician's customary disregard for such insignificant items as cost of production and cost of handling, he said that the gasoline had been purchased at 15c. and that 1c. had been added to cover wholesale and retail distribution costs. The gasoline purchased is known as "distress" gasoline, and 16c. is averred to be below its cost of production.

Bulldogging the "Trust"?

As the Standard of Indiana is head and shoulders above all others in the mid-continent field, doubtless the worthy Governor of South Dakota believed he had delivered a Rooseveltian wallop in the mid-riff of the "Trust." If the directors and officers of the Standard Oil of Indiana have a sense of humor, and it is not beyond credence that such may be the case, they doubtless indulged in paroxysms of mirth when Governor McMaster's pronunciamento was issued.

In the good old days it was considered quite in keeping with up-to-date business methods to shake off bothersome competition by the simple expedient of cutting prices to the bone and letting the "little fellow," with the long ears and short bank-roll, starve to death. Then he dropped, like a ripe apple from a bough, into the Standard basket beneath. But as the cartoonist says, "Them days has gone forever." It is no longer good form nor safe to starve out one's business adversary. But if some obliging third party, say the Governor of a state for instance, comes along and gives the branch a tremendous shake, anyone has a right to stand below and catch what tumbles down. And if anyone is to blame why, certes, it must be the shaker or the one who rocked the boat. Choose your own simile. Now it is certain of course, that prices in the mid-continent field had to go by the board, sooner or later. But there is a vast difference between an orderly retreat and a rout. In the former case, the smaller producer has time to turn around, reduce his inventory, liquify his assets, in short, lighten his ship and trim his sails aganst the coming hurricane. The economic laws of demand and supply cannot be denied. If the Californian can produce more cheaply than the mid-continentian, California oil will have first call on the world's markets. As Mr. Marland remarks:

"It must be borne in mind that so long as the flood of California petroleum lasts, not a barrel of oil or a barrel of gasoline can be sold from the mid-continent fields to the exclusion of a barrel of oil or a barrel of gasoline from California."

Net Results

Temporarily, then, the consumer will benefit from the situation. The result will be heavy losses for both big producer and little producer, but with this difference, the big producer with his adequate financial resources can weather the storm while the little producer will go to the wall. When the smoke clears away the big companies, such as Standard of Indiana, Texas Co., Gulf Refining Co., and perhaps Cosden & Co., *will be found to be more firmly intrenched in the mid-continent field than ever before.*

How long will the present oil depression last, and what will its effect be upon the investor in oil securities? The answer to the first question is, frankly, anyone's guess. The past, however, offers some guidance in forming an opinion.

The present situation is closely analogous to that of 1914-1915. Then it was the great Cushing oil pool which upset, not only the mid-continent oil market, but the oil marts of the world.

In July of 1915, the situation had become so bad that the Standard of Indiana reduced its tank-wagon price to 9.5c. a gallon. According to B. G. Dawes, president of the Pure Oil Co., 50% of the distributors in the mid-continent field went to the wall. By January of 1916, the price had recovered to 16.5c., and by July to 18.5c. This situation was followed by five prosperous (*Please turn to page* 868)

My Name Goes On the "Sucker List"!

With Weird and Wonderful Results via the Post Office Route

By WILLIAM H. BARBOUR

Of the Investors' Vigilance Committee, Inc.

These pages have been donated by THE MAGAZINE OF WALL STREET *for the express purpose of presenting regularly the work of the Investors' Vigilance Committee, Inc., with whom we are cooperating in conjunction with the Chambers of Commerce and other Business Orgnizations of the Nation.*

The statements contained herein are not guaranteed but are based upon information which we believe to be accurate and reliable.—Editor.

REMEMBER when you first involuntarily subscribed the best name in the whole wide world—your own—on a Sucker List? Remember? The thrill of it! Well, all the thrills you experienced are now mine. How my name got started on its rounds I am not even hazarding a guess. Haven't sent for any of those persistently advertised brands of cigars whereby you can smoke ten and if you like them send along the money and if you don't, the cigars. Haven't lived in the Jersey commuting town long enough to get a telephone. (You know you can't get a telephone in your house in Jersey until you have convinced the officials that you really yearn for the tinkle of the bell [excuse it please] at 2.43 a.m. and don't mind the other parties monopolizing the four-party wire, and all that it's wanted for is so that you may call Friend Wife and tell her how you are detained at the office so that you may receive her expected assurance that it's a perfectly happy thought.) Likewise the new city directory hasn't yet been printed. But, the fact nevertheless remains, all rules of the gentle art of preparing sucker lists to the contrary notwithstanding, that the best name in the whole wide world—my name—has been become involuntarily added to a Sucker List Preferred. *Preferred* is right! Nothing common about these offerings made me!

The other evening I reached home with the gentle zephyrs of the Passaic River—if you have never visited along the winding Passaic in August you can't imagine how sweet the perfume of spring flowers really is—still fresh in mind, to find a score of voluminous envelopes and as many more manila folders, beneath the weight of which a good-sized hall table sighed. But I ate first. Business always comes before pleasure.

Envelope No. 1 opened. Broadside tells me *"Nantz Traps Arkansas Riches."* Smackover field. Well, I added "no trapping" to the no hunting and fishing sign. Decision: It's a gamble. Envelope and contents admitted in evidence and marked C-1 for identifiation.

No. 2—Entitled, *"McFarland and Fink and Their Sweeping Success."* They begin by saying, *"we are inspired to write today,"* and conclude with this pleasant assurance *"We intend that you shall not lose."* Decision: "We are inspired to not write back" and agree "we intend that we shall not lose." Envelope and contents admitted in evidence marked C-2 for identification.

No. 3—Smackover Gusher Oil Company. Map, pictures, bank references 'n everything. H. E. Wilcox is the promoter. His friends down in Texas call him "Hurry Up" Wilcox. Offers me all I want at $1 per. Have been offered it for less by somebody else. I still remember the admonition of my mother that haste makes waste. Hurry Up Wilcox can't hurry up *me!* Admitted. Marked C-3 for identification.

No. 4—Ah, ha! What a cute little newspaper! *"Denver Curb Trade,"* published by Wimer & Company. The best thing about it is that it gives a lot of quotations of stocks friends of mine bought at par or above and I can send out to Denver and get them for as little as one one-hundredth what they paid for them, and it is my opinion that the two or three hundred listings (must be at least 1,000,000 shares) are not worth a million marks. Anyhow they use yellow paper stock and I never did like black ink on yellow paper. Just a personal prejudice. Admitted in evidence and marked C-4 for identification.

No. 5—Another little newspaper, to be sure. *"The Texas Investor."* House organ of C. C. Canaan, an oil promoter. Canaan spends a whole lot of energy, ink and paper assuring me that he is sincere, honest and intelligent and winds up with a photographed copy of a letter from a bank—American State Bank of Harrisburg, Harrisburg, Texas. But the president forgot to date it so it means nothing in my young life. Canaan says, *"My Business Creed: I believe that just to 'speculate' is financial suicide."* Agreed. No argument. Even Jack Dempsey hasn't a reach from Jersey to Texas. I decided not to invest with Canaan. But everything was admitted in evidence and marked C-5 for identification.

No. 6—More about the enlightening Texas press. This is all about the *"Texas Oil News."* Tells me it has taken over the *National Oil Review.* Never did like the *National Oil Review.* Can't see paying for Texas Oil News. Tells me it's my last chance. All right, you won't make me mad if I don't bite. I'll save the three dollars for the world series. Games may be rotten; but I'll at least see some action. Admitted. Marked C-6 for identification.

No. 7—This is a complete change of subject. Gold! Hoffman & Company of Denver telling me all about their latest bonanza, *Pewabic Gold Company.* Quotes from the late Cecil Rhodes. Who ever heard of Cecil Rhodes digging gold out of the Pewabic tract? If he had, neither Hoffman nor I would ever have got a chance at it. Copies of bank letters; but all but one of the banks are in Texas and the exception is not a Denver bank. Speaks of Hoffman's past history of *"hazardous dividends,"* but that's the only reference to the success of antecedent promotions. American gold comes from the earth and I returned a little bit of mine to Mother Earth one time. Friends of mine were digging the hole. I charged up my little fling to experience. But I don't know Hoffman, and, therefore, not even a fling. Admitted. Marked C-7 for identification.

No. 8—This is the *pièce de résistance.* It's going to be good because the author of the innocent looking little booket, W. E. Hawley of Houston, Texas, starts right out by quoting from the March 6 issue of THE MAGAZINE OF WALL STREET: *"Until we become a country of investors, until we establish schools showing how to invest and how to protect what has been earned by the sweat of the brow, so that it will not land in the bank accounts of the thieves, we have not conserved our resources."* We deeply appreciate the compliment paid THE MAGAZINE OF WALL STREET and sincerely hope that Mr. Hawley continues to agree with everything we say.

Hawley says some things in that little booklet that are worth remembering. It lays bare the whole gamut of oil promotional advertising. Coming as it does from an oil promoter we are justified in accepting it as authentic information.

Speaking of the drive made by promoters to snatch the savings of large groups of small investors Hawley writes:

"It is the method usually resorted to

SEND IN YOURS!

The Investors' Vigilance Committee, Inc., is making up a new collection of letters, broadsides, pamphlets, etc., about the variegated concerns offering securities in the United States and Canada. You may have something especially good to contribute to the collection. We know our new set is going to be good; in fact, we wouldn't be surprised to find it choice. So if you are the recipient of any such mail and feel so inclined insert same in an envelope and address us at 42 Broadway, New York.

by men whose ability runs mainly toward a facility (guess he means faculty) to write "catchy" advertising, and men whose proposition is such that no broker or capitalist cares to handle it."

Isn't that fine? We fail to find where any stock exchange brokers are handling the stocks of the concerns mentioned above. Another gem:

"Nearly every oil-stock circular has a letter from a banker, which shows that it is a comparatively easy matter to get letters from bankers to us in promotion propositions, and for that reason little attention is paid to them by those whose business it is to investigate new promotions. They do, unfortunately, make quite an impression on the untrained investors."

We should like to add that whereas the banks do certify to the promoters it invariably is that they carry sufficient funds to keep an account. However, it has been the experience of the Investors' Vigilance Committee that inquiries at the same banks with regards to loans more often than not bring back the assurance that if these same promoters were to seek accommodation at the same banks they would have to put up good collateral.

Hawley gives us some more good pointers. For instance, in the case of a company: (1) Investigate to make sure shareholders' rights are assured and adequate protection is shown; in short, how about the charter? (2) Expert accountants should verify the books and records of the company and well versed oil men appraise the property. (3) Ascertain costs of drilling. (4) How are other wells in the vicinity holding up (to determine if drilling would really show a return)? Then the pointers, if it is a lease which is being offered. In this case the investigation should include: (1) Location with respect to present operations and type of wells in the vicinity. (2) Life of lease. (3) Rental price. (4) Is title clear? (5) Make certain recording of assignment of lease in your own name will be promptly attended to.

Thanks, Hawley. I'll remember these pointers and hope if you continue to keep me on your mailing list you will cover all these points. Even then I shall refuse to become excited because I can't find where you are listed on any of the exchanges, and there are already too many stock-exchange brokers to distribute the few paltry dollars I have saved, by the sweat of my brow, for it's warm as this is being written.

At the beginning of this account I mentioned a score of envelopes. Haven't told you about half of them. The others are not worth the time, ink and paper necessary. Just by way of caution, in closing:

Don't fall for any oil or mining stock, whether it comes to you by word of mouth or mail. Unless it's a sound stock you are flirting with a financial headache. You may lose a chance to make something, but the chances are a million to one against you. If you don't know whether any stock offered you is good, bad or indifferent, investigate. Ask your local Chamber of Commerce or your bank.

SOME SAMPLES FROM THE I. V. C.'s COLLECTION

Of letters, broadsides, pamphlets, etc., gotten up by the variegated concerns offering securities in the United States and Canada

Foreign Trade and Securities

Europe's Pressing Problem:

To Inflate or To Deflate?

A Review of the Financial Prospects for Leading Nations of the World

By MAX GOLDSTEIN

IN every great commercial nation of the world, the banking situation since the war has been dominated by one overwhelming question—inflation or deflation? If we desire to follow the financial development of any country, and estimate its prospects at the present time, its attitude toward this question will be our best guide. The reason is that on the question of inflation or deflation, banking comes into contact with practically all the economic activities of a country—the price level, foreign trade, foreign exchange, Government finances, volume of domestic business and speculation, the securities markets, all depend for their direction and momentum on the inflationary or deflationary tendencies of the central banking system.

IN the past few weeks a number of foreign exchanges, including French and Belgian francs, German marks, Polish marks and Hungarian kronen, have declined to lower prices than they have ever sold at in modern history. Will this movement keep on or is there hope for a permanent recovery? The writer tries to answer this question in the accompanying article by a consideration of the basic financial situation in important commercial countries, and arrives at certain conclusions which are quite different from those found in most discussions of the subject.

For the purpose of our survey, without going into too technical definitions of exactly what we mean by inflation, we shall say that inflation exists wherever the banking resources of a country (including not only its gold and its note circulation, but its instruments of credit and transfer of values, such as checks, notes, drafts, acceptances, etc.) expand faster than the business needs of the community (including production, storage, and normal methods of distribution). We may also add that the most obvious symptoms of inflation are a rise in prices, expressed in the national unit of currency, and a fall in the exchange value of the currency on foreign markets or a rise in the exchange value of other currencies on the inflating country's market.

Gold Standard Not Everything

From much that has been said about inflation, particularly in some of the European countries, one would get the impression that it is entirely due to the excessive issue of bank-notes not based on gold, and that if they could only be brought back to a gold standard everything would be all right. That the possession of a gold standard currency does not necessarily mean stability is shown by the experience of the United States.

Our currency has been on a gold basis all during the war without interruption, yet its price level has undergone some enormous fluctuations. From an average of 100 in 1913 (according to the Federal Reserve wholesale price index) prices rose to a peak of 296.2 in July, 1920, and in less than twelve months were down to 121.4 in June, 1921, to rebound again to a recent high of 160.0 in April, 1923.

To speak of the "stable" gold standard under these circumstances is therefore not consistent with all the facts. Nor can one attribute the price fluctuations simply to a "gold inflation," as there was less gold in the banks in 1920, when prices were going up, than in 1921, when they were going down.

The most we can say is that those countries, such as Germany, which have shown very large and steady increases in paper circulation, while their gold reserves failed to increase, have also shown a remarkably violent inflation; and that in some cases where note issues have been checked or gold reserves been built up, such as Austria and Czecho-Slovakia, inflation has been restrained; although the fact that this explanation is not complete is shown by the case of France, where note circulation has been held down in the last year while the symptoms of inflation, rising prices and depreciating exchange, have been very pronounced.

Instead of trying to find general causes of inflation, it would seem more useful to show how inflation (or deflation) has worked in each of a number of important countries, and from the situation thus outlined, to try to estimate the financial prospects of the countries in question.

GREAT BRITAIN Up to the first few months of 1921, conditions in Great Britain paralleled those in the United States—a gigantic post-war boom in 1919 and 1920 was followed by a trade depression in 1921, or from the banking point of view, war-time inflation continued until 1920, when deflation set in. The difference between the whole economic structure of the two countries is indicated by the developments which took place since 1921.

In the United States, generally speaking, domestic business is everything and foreign trade is secondary. **In the United Kingdom, on the other hand, foreign trade is all important and domestic prosperity depends almost entirely on it.** When Great Britain's customers in Europe and elsewhere, found their currencies declining and became less and less able to buy from her, Great Britain had no choice but to continue the policy of deflation, in the hope of eventually so stabilizing conditions at home as to maintain the buying power of the domestic population.

It was not until the end of 1922 that a brief reversal of this trend set in, favored by low money rates, and a slight trade revival appeared. With the invasion of the Ruhr by the French early this year, some English manufacturing industries which were suffering from German competition were benefited, while others, such as coal, found new markets, including Germany itself. The slight inflation which then set in was soon checked, however; the Bank of England discount rate was raised from 3 to 4%, and the impending decline of sterling exchange was stopped.

The British financial community, thus finding little to hope for in the financing of either foreign or domestic trade, has prepared itself for a long siege. As a result of consolidations and mergers, five big banks today control the overwhelming majority of the banking business of the country. They have succeeded in competing with the growing financial strength of New York to such an extent that London has already resumed its pre-war status as the world's premier exchange market and source of foreign loans, helped by the strength and stability of sterling exchange.

Of the two main sources of British financial strength, foreign trade and foreign banking, the former has been weakened by the inability of former customers to buy. The latter, however, has gone a long way to compensate for it because of the necessity, now greater than ever, under which many countries live to borrow in the best available market. For the time being, therefore, the strength of its banking system has been the salvation of Great Britain.

FRANCE France, which before the war was a great lending market of the same caliber, if not the same magnitude, as England, has not had the opportunity of expanding its international banking business which the latter has, for two reasons. In the first place, the war-time law prohibiting the export of capital is still in force, having been renewed from time to time, because the French authorities have feared that a large-scale move to buy foreign securities would fatally depress the exhange value of the franc. In the second place, owing to the inability of the French government to raise sufficient taxes to meet the requirements of its ordinary and extraordinary budgets, it has had to borrow enormous sums from its own citizens, and these borrowings have taken precedence, among the banks and investors, of all other uses for investment capital.

The result has been that the French banking system has been able to avoid nominal inflation, that is, note circulation has been kept down and direct borrowings of the State from the Banque de France have not increased much. The inflation that has taken place, as evidenced by the steady rise in prices, which are now over 25% above the average of last year and only 25% below the average of the boom year 1920, as well as by the fall of the franc to the lowest level since the war, has come about more indirectly. The huge State borrowings have created billions of francs' worth of negotiable securities which, together with the funds made available to investors by bank loans based on the new State bonds as security, have added greatly to the amount of total banking resources in the country, while actual business requirements have increased but little, as the new money raised by the bond issues has gone largely into unproductive government expenditure, not into business financing.

The outlook for deflation in France is, therefore, closely bound up with the question when the government will be able to balance its budget without recourse to the investment market for fresh loans? This does not seem to be a matter of the near future, for a number of reasons. A large part of the State's expenditures consists of interest and amortization on already-existing debt, and on pensions, etc., which cannot be reduced; another large part goes into military expenditures, especially since the Ruhr occupation, which the present policy of the government will not permit it to reduce, and the rising level of prices, which is itself a result of inflation, will tend to increase government expenditures and thus further facilitate inflation.

GERMANY This country is a classic instance of inflationism carried to its logical conclusion. The case is clear-fantastic of the note circulation, rise in prices, decline in exchange value of the mark, and inability of the government to balance its budget, have gone hand in hand to produce a condition in which the actual volume of business transacted bears but a fractional relation to the total nominal volume of banking resources.

Because of the inflation, the actual banking strength of the country has been greatly reduced. Germany before the war was comparable to Great Britain; two of its main sources of livelihood were foreign trade and foreign banking. Foreign trade has ceased to be a source of national income, as is also true of Great Britain; but Germany did not have the British resource of developing the banking business so as to compensate in some measure for the loss of foreign trade income. On the contrary, in spite of the huge increases in volume of banking business and in net banking profits, expressed in paper marks, Germany is in the state of a potential borrower of foreign capital in large amounts (should conditions be ready for its financial rehabilitation by loans), instead of, as before the war, a lender of capital.

The huge increases in outstanding amounts of notes, bills and other banking media, while legitimate business has stood still or moved back, indicates that an increasingly large part of German banks' business has consisted of speculation, open or disguised. This has meant not only an increasing volume and rapidity of turnover in security transactions, but also in commodities and in foreign exchange. The rise in prices alone has compelled business concerns to increase their capital, often many times in the same year, thus throwing fresh fuel on the flames of speculation, while the constant depreciation of the currency has given an incentive to the holder of currency or bank deposits to buy commodities, exchange or securities with it in the hope that they would go up faster than the mark went down.

German banking today is, therefore, on a very unstable foundation, being based largely on speculation. The inroads of the latter into the banking resources of the country is shown by the ludicrously high bank rates—the Reichsbank charges

(Please turn to page 863)

BANKING POSITION OF MAJOR NATIONS COMPARED

(according to latest statements of National Banks)

(In millions of each nation's currency)

COUNTRY	Bank Rate in Percent	Name of Currency	Gold Holdings	Circulation	Deposits
Great Britain	4	Pounds sterling	127	125	119
France	5	Francs	5,538	36,929	2,039
Germany	30	Reichsmarks	596	62,326,692	38,043,523
Italy	5½	Lire	888	13,069	1,811
Austria	9	Kronen	——	5,379,018	700,695
Japan	8	Yen	1,101	1,371	889
Belgium	5½	Francs	270	6,328	346
Norway	6	Kroner	147	405	116
Sweden	4½	Kronor	273	513	180
Denmark	6	Kroner	228	482	127
Switzerland	4	Francs	525	834	111
Spain	5	Pesetas	2,526	4,122	1,024
Poland	12	Marks	45	3,690,297	936,627
Hungary	18	Kronen	23	177,418	17,043
Czecho-Slovakia	4½	Kronen	——	8,811	6,285

Railroads

Northern Pacific
Great Northern

Chi. M. & St. Paul
Union Pacific

Atchison
Southern Pacific

How the Leading Western Roads Compare

Which Stocks Offer the Best Investment Opportunities?—A Practical Analysis for Investors

By JOSEPH M. GOLDSMITH

In view of the recent acute weakness in the securities of the Northwestern roads, it has been deemed timely to make a survey of the position of these roads as compared with those operating in the Central and Southwest. Some striking comparisons are drawn and the entire article is of the utmost practical interest to investors.

THE United States as a matter of fact does not possess a single transcontinental railroad. Nevertheless six of the western roads whose lines extend from the Mississippi Valley to the Pacific Coast are commonly called by that term. These transmountain routes lie in three groups. In the northwest, we have the Great Northern, the Northern Pacific and the St. Paul. The middle section is occupied by the Union Pacific. The two remaining roads, operating in the southwest, are the Atchison and Southern Pacific.

Although the commodities upon which the various roads depend differ widely, the traffic movement on each is very similar. Their function is to bring eastward the agricultural, forest and mineral products originating in the west, and carry back the manufactured goods made in the east.

The roads serving California obtain a large fruit and vegetable traffic much of which moves in solid trainloads of refrigerator cars almost the total length of the line. In the case of the northern group the main items are grain, lumber and iron ore. These bulky articles require much more space than the manufactured goods moving west. **Consequently the main problem which each of these roads face is to secure sufficient westbound freight to reduce to the minimum the number of cars which must be hauled back empty.**

No discussion of the general situation of the transcontinental roads would be complete unless some reference were made to the influence of the Panama Canal. The impression has become rather widespread that water competition is dealing a death blow to these western roads. It is a factor which should not be ignored, but we must not allow it to assume undue proportions.

Especially on bulky commodities it is a recognized fact that water transportation can be rendered more cheaply. In competing for the lumber traffic originating in Washington and Oregon and the oil which the California field produces, the railroads have been at a decided disadvantage. Some of it bound for the Atlantic seaboard or Gulf territory which formerly moved by rail is now going through the Canal. In order to prevent still further inroads the railroads have reduced their rates, since this long haul business is very remunerative.

Competition with the waterway does not occur on shipments originating on or destined for interior points. The California fruit traffic moves almost entirely by rail. The same is true of most of the grain and ore which the northwestern roads carry. **The Canal can be a formidable competitor only on a small proportion of the total business.**

The fact that the western roads are handling this year a greater tonnage than ever before indicates that the diversion of freight has been only moderate. It is true that were it not for the existence of the Canal they would obtain still more, but they are not at present starving from lack of traffic.

It is doubtful whether the tonnage now moving by water which otherwise would have gone by rail equals five percent of the total business of these roads. It does, however, represent some of the cream and its loss is being felt. The Canal competition although not as grave as has sometimes been pictured is certainly not to be minimized.

Rates and Operating Costs

Of still greater importance than getting more traffic is the ability to make money on that now moving over their lines. The relation between rates and costs of rendering the service is far from what it used to be. Reference to this factor is particularly appropriate in speaking of the western roads because practically all the agitation for lower rates is coming from the agricultural element.

The clamor of the farmer for reduced rates is easily explainable. The prices which he is receiving for his products do not give him the same purchasing power that he formerly enjoyed. The general price level has advanced more than the value of the crops he has to sell. World economic conditions and not the railroads are responsible for this.

Nevertheless the grain carrying roads are feeling the effect of the farmer's predicament. The radical attack which will probably vent itself when Congress convenes would be especially directed against rates on farm products. Without reductions in labor costs, which seem unlikely, the railroads and particularly the northwestern group are not in a position to reduce rates.

The western roads have already made several rate cuts on certain commodities

and have gone much further than have the eastern lines. This is one reason for their relatively poorer earnings. They cannot maintain their facilities or purchase additional equipment unless revenues are sufficient to preserve their credit. Unless they can secure a reasonable return the shipper cannot expect to obtain adequate service. There are no grounds upon which to justify lower rates under present conditions and elimination of these fears would do much to help the roads.

Prospects Among Northwestern Roads

The "Hill" Roads and St. Paul

THE northwestern roads (Northern Pacific, Great Northern and Chic., Mil. & St. Paul) are handling an enormous volume of traffic. Shipments of grain are running a little behind last year, but ore and lumber are moving in very large quantities. Carloadings in the territory are about 45% ahead of 1921 and 10% ahead of 1922.

In spite of this volume of business, net earnings are very meager. The large increase in gross revenues has been nullified by a corresponding addition to operating expenses. The cost of rendering the service has mounted just as rapidly as the income derived therefrom.

As a consequence, none of these roads is making a good showing at present. The part of the country which they serve has not shared in the general prosperity which the industrial sections have enjoyed. While many of the eastern lines are securing record earnings the roads operating in the grain belt are just making both ends meet.

The pronounced weakness which has recently been evident in the stocks of the Hill roads is a reflection of this unfortunate situation. Great Northern sold down to 51½ and Northern Pacific 54½, which are the lowest prices at which either has sold in over twenty years. Formerly looked upon as solid investments they have descended into the speculative class of railroad stocks.

Besides the unsatisfactory earnings to date, several factors have contributed to the lack of confidence in their position. The recent receivership of the Minneapolis & St. Louis, although not entirely unexpected, had a depressing effect on the stocks of all the northwestern roads. The probable agitation for lower rates has had some influence.

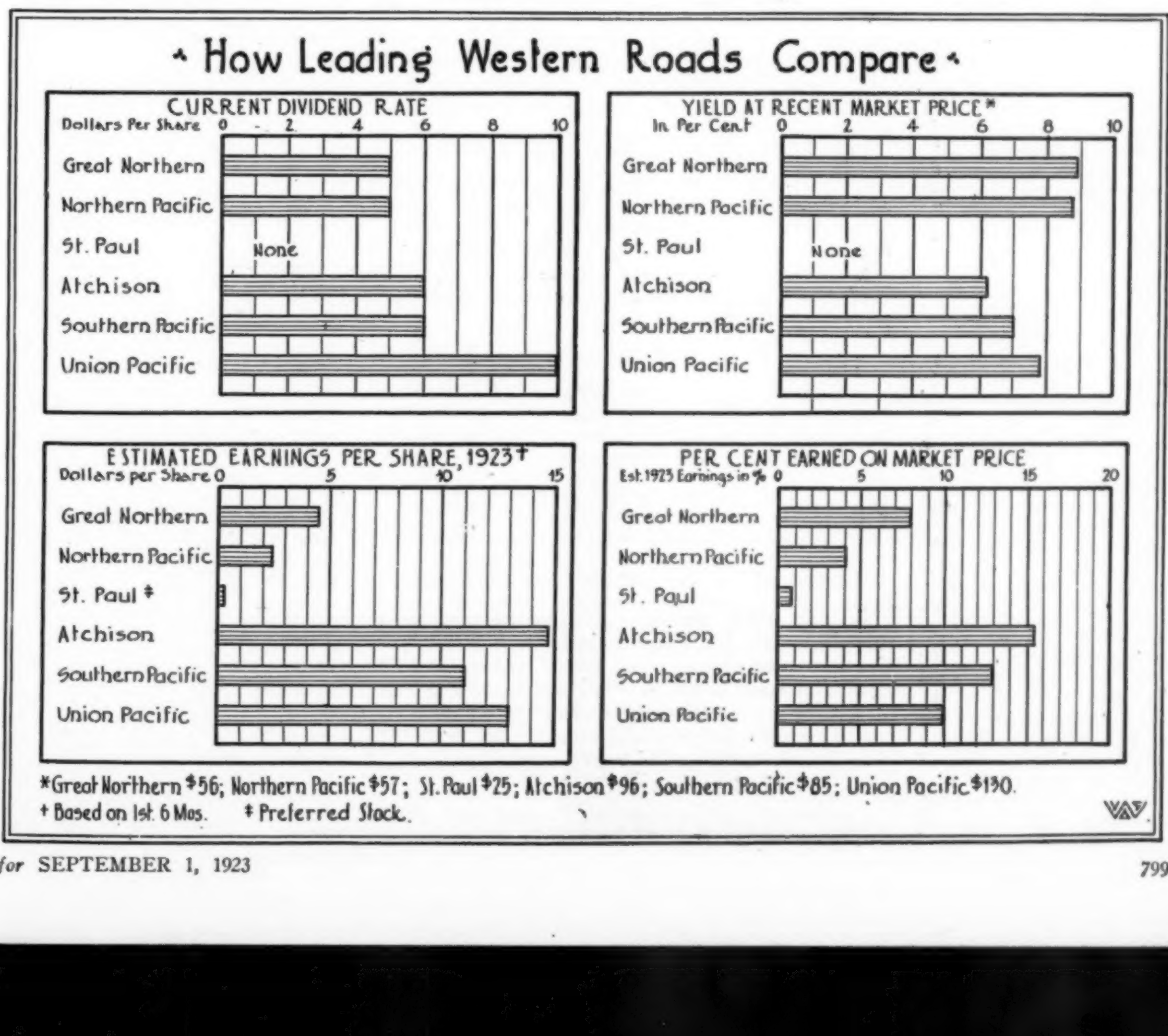
The present price of wheat has also been considered. Quotations around a dollar a bushel on the Chicago Board of Trade do not presage good financial returns for the wheat growers in the territory served by these roads. After the farmer liquidates his indebtedness, he will not have much purchasing power. The amount of manufactured goods consumed will be reduced to the minimum. In this affected though some improvement in autumn is to be expected.

The decline in the prices of these stocks indicates that there is some doubt as to their ability to maintain the present 5% dividend rate. The record for the first half of the year does not lead one to anticipate much if any margin over dividend requirements. Nevertheless the best months from an earning standpoint still lie ahead. It is in the fall that the greater part of the net income is derived. In addition, the large outside income which each of these roads secures from its interest in the Burlington, will help materially.

The outlook is far from encouraging, but a great deal of the worst has already been discounted. The regulative authorities ought not to permit conditions to continue which will prevent these fine properties, which are not heavily capitalized, from earning some return on their investment. This would be as disastrous to the northwest as to the railroads themselves. The situation now looks black, but these companies possess large liquid resources. The unfavorable operating conditions now existing are not likely to prove permanent. **When economic conditions improve the Hill roads will quickly recover their earning power.**

THE ST. PAUL

The Chicago, Milwaukee and St. Paul
(*Please turn to page* 846)



"Watch the Railroads!"

That's What "They" Said Three Years Ago, and the Vigil of Those Who Have Watched Has Been Amply Rewarded —Will There Ever Be an Old-Fashioned Rail Market?

By W. M. GEOFFREY

"WATCH the railroads!"

They said that three years ago. They said it for any one of several reasons, depending upon who "they" happened to be.

They said it for the benefit of intending investors, who were holding off until it should be established whether the country was veering toward prosperity or toward dulness and decay. "Watch the railroads!" they said; and they meant "if the railroads move up, the country will move up too."

They said it for the benefit of the supporters of Government operation, or Government ownership. "Watch the railroads!" And they meant, now that the railroads have been put back into private hands, the test of private management as compared with public management had come. The thing to do was to watch them, and see how private management stood up under the test.

They said it, finally, for the benefit of calamity-howlers and such like—for the benefit of those who believed that the day of the railroad had passed, and that there was no longer hope of the great trunk lines, transcontinentals, and grangers ever recovering to their wonted prestige and high position. "Watch the railroads!" they said, and they meant, "Watch 'em *come back!*"

It's a question how carefully the general public has observed the behest to "watch the railroads!" The public is a notoriously fickle and shifting species, whose tendencies are opposed to watching any one thing for long at any one stretch. In preference, it likes to look for a moment—then look away—and then, when it has to, look back again.

But there's no question about one thing: That is that, for those who *have* watched the railroads closely and continuously for the last three years, the vigil has been rewarded by the gradual development of one of the most amazing metamorphoses in the history of industrial America.

Downtrodden, tattered, enervated and emaciated products of one-time private misapplication, and later-time Government mismanagement. That would not have been an over-exaggerated description to apply to the American railroad properties when they were released from Government control three years ago. But how different the situation today! Certainly, railroads have not recovered the prestige they enjoyed around 1900-1910; certainly, the great resources which many of them enjoyed then have still to be re-established in full; certainly, they are not, as a country-wide system, scoring earnings as great as those of the palmy days. But they have come back—and come back with a vengeance — from post-control desuetude; and, what is more, they seem in a fair way to continue their magnificent come-back until—well, why make predictions?

For an evidence of the extent of the railroad recovery, it is only necessary to set, side by side, THE MAGAZINE OF WALL STREET'S well-known Earnings Tabulation (which has appeared every other issue in the railroad section for many months past) as it appeared, say, two years ago, and as it appears today. You will find that, in the results for the first six months as shown in August, 1921, twelve out of 32 roads covered by the earlier table showed an inability to earn their fixed charges; 10 were able to earn only a portion of their charges; 3 were able to earn barely enough over their charges to indicate a small balance for their preferred stock; while only 7 were earning at a rate indicating a balance on their common shares. Now take the same 32 roads, as covered in The Magazine's earnings table for August, 1923 (last issue): YOU WILL FIND THAT, OF THE 12 ROADS STRUGGLING WITH DEFICITS IN 1921, NONE ARE SO SITUATED TODAY: AGAINST 10 WHICH FELL SHORT OF FIXED CHARGES IN THE EARLIER YEAR, ONLY 8 ARE IN THIS POCKET TODAY; AGAINST ONLY 7 ROADS WHICH WERE ABLE TO SHOW EARNINGS AT THE RATE OF A BALANCE FOR THEIR COMMON STOCK IN 1921, NO LESS THAN 21 ARE ABLE TO SHOW SUCH AN INDICATED BALANCE FOR THE FIRST SIX MONTHS OF 1923!

Here is another way of presenting the same findings: Take the number of roads reviewed in 1921 as 100%, and the number reviewed in 1923 as 100%. Compare the operating results in each year, as shown by the mid-year table: We find that, where 37% sustained operating deficits in the earlier year, none are so situated this year; that

(*Please turn to page* 848)

HOW OUR RAILROAD DEPARTMENT HAS HELPED INVESTORS "WATCH THE RAILROADS"

EVERY other issue, the railroad department publishes an estimate of railroad earnings covering the latest monthly return of Class I roads. **It has been only three-tenths of one per cent out of the way in the first half of 1923!**

This estimate covers the total return of all the 194 Class I companies. It is based partly on car loadings; partly on the actual earnings, as they become known, of about 30 individual roads; partly on knowledge of business activity in the various localities. All adjusted to conform with seasonal variations in traffic, and operations on individual lines.

The estimate, so derived, appears two or three weeks before the official figures. No other agency attempts to compile such an estimate. Hence, if it maintains any high degree of accuracy, its value to railroad-watching investors must obviously be great. It is interesting to note the following comparisons between the advance estimate, as made each month by the railroad department, and the actual earnings, as they proved to be after actual figures were available.

Month	**Advance Estimate*	**Actual Earnings*	*% of Error*
January	$65,000	$60,874	6.7%
February	39,000	38,800	0.5
March	86,500	83,568	3.5
April	82,500	83,201	0.8
May	85,000	89,999	5.5
June	87,500	87,742	0.3
*000 omitted	$445,500	$444,184	0.3%

In other words, the above comparison shows that, for each of the six months for which an estimate has been prepared, the greatest percentage of error was in January, at 6.7%, and the lowest in June, at 0.3%. And, which is more important, the comparison shows that the sum of the monthly estimates for the six months, as compared with the sum of the Actual Earnings for the same period varied only three-tenths of one per cent. from the true figure.

Bonds

Building Up a Competence by Reinvesting Income

Difference Between Saving and Reinvestment—How Investment Knowledge Helps Investors Arrive at Their Goal Sooner

By THOMAS P. ROBINSON

BUILDING up an investment competence is enough like building a house, to permit of a rather illuminating comparison between the two. In both cases, the problem is an engineering one—how to get at a certain final result, planned in advance, using limited materials and working under certain general restrictions known beforehand. In both cases, the man who plans the construction can afford to disregard many questions of sound human interest, such as, what the construction is to be used for, where the materials come from, and the like.

The problem of the investor is putting two and two together to make five. More concretely, at the end of a certain period of years, he wants to have a certain sum, let us say 25 to 30 thousand dollars, on which he can live indefinitely; he has a certain limited number of years, say, 25 to 30, of full earning power in which to make up this sum, and in each year, on the average, he can lay aside for this purpose a limited sum, say 500 dollars.

It is clear that saving alone will not produce the desired sum, as 500 dollars annually for 25 or 30 years will produce only 12,500 or 15,000 dollars. He, therefore, wants to take advantage of the peculiar power of capital to reproduce itself, through the process known as "investment," at a slower or faster rate depending on the specialized knowledge of the methods of investment which the investor has, or can make available through other sources.

It now appears, that by using investment methods instead of mere saving, at the end of 25 years, if the investor puts away $500 annually, and invests both principal and income of the investment account at the rate of 5%, he will have $23,864 instead of only $12,500, or nearly twice as much as by the straight hoarding method. If he is skilful enough, or can command the advice of others skilful enough, to invest both interest and principal of his savings at the rate of 7%, he will have not merely 24,000 but 31,625 dollars, or over 2½ times what he would have had had he merely hoarded.

This comparison may be brought closer home by saying that a man who merely hoards each year $500 and puts it aside for later use, for 25 years, will have enough at the end of that time to pay him an income of $625 a year, or $12 a week, if he invests the final sum at the rate of 5%. If he builds up an investment account at the rate of 5% interest a year, he will have after 25 years enough to pay him $1,193 a year, or $23 a week—the difference between poverty and humble circumstances. If he is able to invest his money, for the same period of time and at the same rate of saving per year, at the rate of 7% annually, he will have at the end enough money, at the same rate, to pay him $2,212 a year or $42.50 a week, which is enough to keep him in fairly comfortable circumstances.

There is a great difference, therefore, between the results obtained by simple saving, and those obtained by a consistent investment program, even where the rate of investment is as low as 5%. This difference is due largely to the different ways in which the income from savings is utilized.

In a straight savings program, such income from savings as may be derived from bank deposits, purchase of investment securities, or the like, is spent as fast as earned. Under a systematic investment program, this money is reinvested. This difference in procedure leads to all the difference shown above in final result.

The question of rate of average income in the investment, it has been seen, is of the greatest importance. A 25-year program of reinvestment at 7% will bring nearly the same final result as a 30-year program at 5%.

This fact brings out sharply the effect of sound investment knowledge in getting a good rate of return on investment without sacrifice of safety. An investor who knows little about investments should be content with a low yield, perhaps as little as 5%; one who knows more, can pick investments which are just as good intrinsically, but for some reason or other, at the time of purchase, are not recognized by the general market to be so good, and therefore sell lower to give a higher yield.

Nor is it practicable for a "5% investor" to try to "sweeten" his list by adding investments of a higher yield indiscriminately, because if he should do so the possible losses, through depreciation or the wiping-out of his security, would bring his net yield for all his investments down to 5%, if not less. **The most profitable course for the investor, therefore, is to try to increase his investment knowledge constantly, so as to increase the yields which he can afford to accept on his investments.**

That an average around 7% is not impossible to obtain is indicated by the accompanying list of sound investment securities. They might not be considered appropriate for a woman, say, dependent solely on her investments, but as investment media for the funds of a man who is engaged in some kind of work which pays him so well that he is able to save $500 a year out of his income, they are perfectly sound.

In making up an investment program to run 25 or 30 years, it must be remembered that the average level of investment yields will not be the same year in and year out. This level rises and falls in accordance with the ebb and flow of business activity, which determines the course

QUICK AND SLOW METHODS OF REACHING INDEPENDENCE

Period of Saving in Years	Amount Saved Each Year	Rate of Investment	Accumulation at End of Period	Annual Income at End of Period at Specified Rate
25	$500	None	$12,500	*$625
25	500	5%	23,864	1,193
30	500	5%	33,219	1,661
25	500	6%	27,432	1,645
25	500	7%	31,625	2,212

* At assumed 5%.

of money rates. We can say, however, on the basis of past observation, that once in every two or three years bond and investment stock prices will be found cheaper than they usually are, and this is the time to concentrate purchases and switch into the securities which happen to be most undervalued at the time.

The accompanying figures showing the process of accumulation of an investment competence are based on the assumption that the $500 which is added yearly to the account will be invested in a lump sum, once each year, and will not draw any interest until it has been so invested.

Most kinds of income, however, are received at frequent intervals and the savings from them accumulate gradually in the course of a year. If the savings are deposited in the bank as often as practicable, they will draw interest on their own account which may be added to the figures shown herewith. For instance, if the investor finds it possible to save money at the rate of $10 each week, and deposits that sum with a savings bank each week, at the end of 25 years the extra interest thus accumulated will amount to not less than $250, without figuring compound interest on it.

In addition, where the income received from investments comes in odd figures, as is nearly always the case, the small periodic accumulation will enable the investor to round out his holdings more easily, and thus get the rate of income which he is entitled to. For instance, suppose that at a certain time he gets $274 as income on his investment, and finds that he can buy two shares of a 7% preferred stock at 100, which he considers a desirable investment. He will have $74 left over for which he can find no immediate suitable outlet for investment. However, if he accumulates $10 a week for three more weeks he will be able to buy a third share of the same preferred stock and thus get a 7% yield on the total $300, instead of on only $200 of it.

He should have no difficulty in making appropriate arrangements with the broker through whom he buys his securities to permit him to buy all three shares at once, and repay the missing $26 out of savings at the end of three weeks.

In making up his investment list, he should be guided not merely by the intrinsic qualities of each investment, but should seek to diversify the list as a whole, on the principle of "not putting all his eggs into one basket." For example, he may at various times find it desirable to buy General Motors debentures, Fisher Body preferred, Studebaker common, and Chandler Motors common, while having only two or three other securities. Each of the motor stocks that he buys may be intrinsically good, and cheap at the time that he buys it, but the result of having four motor investments out of a total of six or seven would be that his investment future would be too closely bound up with the motor industry, and a slump in that industry would have a serious effect on the income and the principal value of his total investment account.

The investor should not, however, on this account buy stocks merely because they represent industries which are not already on his investment list. For instance, the list herewith reproduced, although it does not aim to be a model for all investment lists, does not happen to contain a single railroad stock or bond, although the railroads are undoubtedly in good earning position, as a group, at the present time, and represent a fundamental industry.

ILLUSTRATIVE INVESTMENT SECURITIES

BONDS:	Rate	Maturity	Recent Price	Yield (%)	Times Int. or Div. Earned in Last Five Years' Average
Bush Terminal Co.	5	1960	90	5.65	1.85
Armour & Co. of Del.	5½	1943	88¼	6.50	5.00
Philadelphia Co.	6	1944	100	6.00	3.50
South Porto Rico Sugar Co.	7	1941	100	7.00	2.20
United Fuel Gas Co.	6	1936	93¼	6.70	5.85
PREFERRED STOCKS—					
General Motors debs.	7	....	97	7.22	5.10
American Water Works 1st pfd.	7	....	88	7.95	2.20
Fisher Body of Ohio pfd.	8	....	98½	8.10	....
COMMON STOCKS—					
American Tel. & Tel. common	9	....	122	7.38	1.29
Westinghouse El. & Mfg. Co. com.	4	....	57	7.02	2.09

As the investor's security experience and knowledge deepens and broadens, he will be able to advance with more safety from bonds to preferred stocks, and from preferred stocks to sound investment common stocks. Taking a long-range point of view, he may find it desirable to buy a good common stock which yields him only 6%, if he has reason to believe that in the course of several years the company will be able to pay, and maintain, a higher dividend rate which will bring his return over 6%. When U. S. Realty common, for instance, was paying $6 in dividends annually and was selling at 100, The Magazine of Wall Street recommended its purchase for purely investment reasons, and when, a few weeks later, the dividend rate was raised to $8, the investor who took advantage of the advice was in possession of an excellent common stock which was yielding him 8% on his purchase price. Should the price go up later to 114, which would make the yield 7% on the market price, he will be 14 points ahead of the man who buys it as a 7% investment, although he himself originally bought it to yield only 6%.

In such a case, the investor is always confronted with the question whether he should sell the security which has had the advance, or retain it on its own intrinsic merits. The answer should depend on what he expects to do with the proceeds if he sold the stock. If he knows of some security which is equally good or better, that is, is equally cheap at the price it is selling at, he would do well to take his profits and reinvest in the other security. Otherwise, he should retain his investment and keep his profits on paper in the form of the increased principal value of his investment account.

The same strategy may also be applied to bond holdings. Just as there is a low point to the bond market every two or three years, so there is a high point reached when business is very dull and money is correspondingly plentiful and cheap. If the investor has sufficient confidence in his judgment, and feels that he will not see such high prices for his bonds within the next two or three years, he might regard this as a selling point, and take the profits which should have accrued on his bonds if he bought them at the previous levels.

In the course of the stock market's history, it has been observed that these periods of high prices for bonds often coincide with periods when stocks are very cheap, because as a rule, when business is dull and money rates are low, industry is apt to be at an ebb and a bear market in stocks will have been going on.

At such times, even good investment stocks are apt to be selling unusually low, and it will often prove profitable for the investor to sell a part of his bonds and buy good common stocks with the proceeds.

By the use of such tactics, the net yield on the investment account over a period of 25 years, which may include ten or more such periods of rise and fall in money rates, and bond and stock prices, can be brought up to even above 7%.

At the beginning the investor would do well to be satisfied with a smaller yield, so long as the security is high, and should endeavor to extend his sphere of operations only on the basis of increasing familiarity with investment operations. The Magazine of Wall Street tries consistently to impart this needed information and familiarity on the basis of expert knowledge, rather than have its investor-readers go through sad if instructive experiences in acquiring the same investment background.

The programs above outlined for investment do not conflict, of course, with the other measures which a man should take to safeguard his future. Owning or building one's own home, and insurance of various kinds, remain just as useful or necessary to the man with an investment program as to the one without.

The man who saves with a view to building up a competence, however, to resume, should save with a plan, should reinvest his income from investments as well as add to the principal, should save small amounts regularly in preference to occasional large sums, and, above all, should constantly try to add to his knowledge of investments with a view to increase the average net yield of his investment account.

The Bond Market

Better Sentiment Produces New Offerings—Speculative Rails Active

IN the listed high-grade issues, there was no change in the character of dealings from that of the past several weeks. United States Government bonds were dull and price fluctuations narrow. The low return of the strictly investment securities at present levels does not appeal to prospective investors.

Speculative Issues Higher

The principal activity naturally centered in the speculative group in view of the advance in the stock market. In this division the strength in the rails was a feature. The Eries led the list, with an advance of three points in the general lien 4s, with similar gains in the various Erie issues. Publication of the favorable earnings statement of the Missouri, Kansas & Texas for the first half of the year was followed by advances of 1.5 points in the prior liens and over 3 points in the adjustment 5s. The St. Louis & San Francisco adjustment and income 6s gained over a point. Seaboard Air Line bonds also were strong, the refunding 4s and adjustment 5s advancing 2 points. On the other hand, the Chicago, Milwaukee & St. Paul issues continued to drag around the recent lows, and, with the exception of the debenture 7s, which were higher, New Haven bonds showed no disposition to rally to any considerable extent.

Industrial Issues Quiet—Tractions Stronger

There were no features in the market for industrial issues. Virginia Carolina Chemical 7s recovered their previous loss. International Mercantile Marine 6s continued to show weakness, dropping to a new low of 74. The speculative oil bonds, while lower, did not display the same degree of weakness exhibited by the oil shares. Coppers and sugars were steady. The B. G. Dery 7s advanced to 76 on announcement of the reorganization of the business and that the bonds would not be disturbed.

There were few transactions in public utility securities. Strength in the local tractions featured. Interborough Rapid Transit 5s were up two points. Smaller gains were shown by the refunding 4s and first 5s. Fluctuations in the other utility issues were small and of no significance.

Generally speaking, there were no important changes in the bond group, but it is noteworthy that a firmer tone throughout was exhibited. Undoubtedly the greater cheerfulness of the stock market was contributory to the improved sentiment in the bond market. Chances for an important rise, however, do not appear particularly promising especially in view of the higher levels for money which will probably materialize this autumn.

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
HIGH GRADE (For Income Only)				
Non-Callable Bonds:				
Canadian Northern Debenture 6½s, 1946	(a)	113	5.50	*
Delaware & Hudson 7s, 1930	(b)	108	5.60	2.10
Great Northern Genl. 7s, 1936	(c)	108	6.30	3.75
New York Central Rfd. and Imp. 5s, 2013	(c)	†95½	5.30	1.65
Western Union Telegraph Co. 6½s, 1936	(a)	109½	5.60	e 8.00
New York Edison Co. 6½s, 1941	(b)	‡109½	5.60	3.30
Bush Terminal Buildings 5s, 1960	(a)	90½	5.65	1.85
Callable Bonds:				
Armour & Co. of Del. 1st 5½s, 1943	(c)	88¾	6.50	5.00
Armour & Co. Real Estate 4½s, 1939	(a)	83	6.20	....
Canadian General Electric deb. 6s, 1942	(a)	101½	5.50	4.40
Duquesne Light Co. 6s, 1941	(b)	103½	5.75	3.40
Philadelphia Company 6s, 1944	(c)	101	5.90	3.50
Short-Term Bonds:				
B. & O., P. J. & M. 3½s, 1925	(b)	94½	6.45	1.35
B. & O., Southwest Div. 1st mtg. 3½s, 1925	(b)	94	6.05	1.35
Seaboard & Roanoke 1st 5s, 1926	(a)	97¾	5.80	....
Southern Pacific conv. 4s, 1929	(a)	92	5.50	2.40
Union Pacific conv. 4s, 1927	(b)	95½	5.30	3.10
Dominion of Canada Internal 5½s, 1927	(d)	100¾	5.30	....
Bell Telephone Company of Canada 5s, 1925	(b)	98	6.25	2.75
Aluminum Company of America 7s, 1925	(a)	103½	5.50	....
Central Leather Co. 1st 5s, 1925	(c)	97½	6.75	....
Columbia Gas & Electric Co. 1st 5s, 1927	(b)	...	6.00	6.90
Fisher Body Corp. 6s, 1926	(a)	98¾	6.50	c 6.30
MIDDLE GRADE (For Income and Profit)				
Railroads:				
Baltimore & Ohio, 1948	(b)	77¾	5.70	1.35
Carolina, Clinchfield & Ohio 1st 5s, 1938	(c)	93	5.65	1.45
Chesapeake & Ohio conv. 5s, 1946	(b)	89	6.00	1.00
Cuba R. R. 1st 5s, 1952	(a)	86	6.00	2.45
Chicago & Eastern Illinois Gen. 5s, 1951	(c)	76	6.75	f 1.15
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	85½	6.10	1.90
Missouri, Kansas & Texas Prior Lien 5s, 1962	(c)	77¾	6.60	1.10
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	102½	6.00	1.50
Missouri Pacific 1st and Rfd. 6s, 1949	(b)	92½	6.60	1.20
N. O. & N. E. Rfd. and Imp. 4½s, 1952	(a)	79¾	6.00	2.70
St. L. & S. F. Prior Lien 4s, 1950	(c)	67½	6.00	1.10
Western Pacific 1st 5s, 1946	(c)	79	6.50	2.30
Industrials:				
Anaconda Copper Mining Co. 1st 6s, 1953	(b)	97¼	6.25	g 1.25
Bethlehem Steel Co. 5s, 1936	(a)	87	6.00	2.30
Computing Tabulating & Recording 6s, 1941	(b)	100	6.00	5.50
Goodyear Tire & Rubber Co. 8s, 1941	(c)	116	6.50	5.80
B. F. Goodrich 1st 6½s, 1947	(b)	100	6.50	2.70
Hershey Chocolate Co. 6s, 1942	(b)	98½	6.15	2.50
South Porto Rico 1st Mtg. and Col. 7s, 1941	(b)	100	7.00	2.20
Union Bag & Paper Co. 6s, 1942	(b)	97¼	6.25	dd 4.00
U. S. Rubber 5s, 1947	(c)	87	6.00	4.00
Wilson & Co. 1st 6s, 1941	(a)	95	6.50	1.35
Public Utilities:				
Amer. Water Works & Elect. Corp. Col. 5s, 1934	(c)	84	7.10	1.80
Dominion Power & Transmission 1st 5s, 1932	(a)	89	6.60	2.10
Denver Gas & Elec. 1st and Rfd. 5s, 1951	(c)	85¼	6.10	e 4.70
Havana Elec. Ry. Light & Power 5s, 1954	(a)	84¼	6.10	5.00
Northern States Power 5s, 1941	(b)	90½	5.90	2.10
Pacific Gas & Elec. Genl. and Rfd. 5s, 1942	(a)	90½	5.80	2.05
Public Service Corporation of N. J. 5s, 1959	(a)	82¼	6.25	1.75
Utah Power & Light 5s, 1944	(a)	88½	6.00	1.60
United Fuel Gas 6s, 1936	(b)	93	6.80	5.85
SPECULATIVE (For Income and Profit)				
Railroads:				
Chicago Great Western 1st 4s, 1943	(a)	43	8.00	0.85
Erie Genl. Lien 4s, 1996	(b)	49	8.20	1.31
Chicago, Milwaukee & St. Paul conv. 5s, 2014	(c)	58	8.60	1.02
Iowa Central 1st Mtg. 5s, 1938	(a)	57½	10.70	0.80
Missouri Pacific Genl. Mtg. 4s, 1975	(b)	52½	7.90	1.20
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	52	9.75	1.10
St. Louis & San Francisco Adj. Mtg. 6s, 1955	(c)	73½	8.50	1.10
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(c)	74½	8.00	....
Southern Railway Genl. Mtg. 4s, 1956	(a)	67¾	6.35	1.40
Western Maryland 1st Mtg. 4s, 1952	(a)	60	7.30	1.20
Industrials:				
American Writing Paper Co. 6s, 1939	(a)	62½	10.90	1.30
Cuba Cane Sugar 7s, 1930	(c)	87	9.70	1.80
Chile Copper Co. 6s, 1932	(b)	100	6.00	h 0.80
International Mercantile Marine 6s, 1941	(b)	74½	8.50	3.25
Virginia-Carolina Chemical 7s, 1947	(c)	82¼	9.10	1.20
Public Utilities:				
Chicago Railways 1st 5s, 1927	(a)	77	13.40	1.08
Hudson & Manhattan Rfd. 5s, 1957	(c)	82½	6.25	g 1.80
Interboro Rapid Transit 5s, 1966	(a)	63	8.10	0.90
Third Avenue Railway Rfd. 4s, 1960	(b)	56	7.55	i 1.35
Virginia Railway & Power 5s, 1934	(a)	85	7.00	1.90

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936. ¶ This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1,000. (b) Lowest denom., $500. (c) Lowest denom., $100. (dd) Average last two years. (d) Lowest denom., $50.

e Average last three years. f 1922. g Average last four years. h Average last six years. i Does not include interest on adjustment bonds.

Public Utilities

The Greatest Power Project in the World

How the Super-Power Corporation Will Break the Anthracite Monopoly—A Billion-Dollar Undertaking

By BARNARD POWERS

THE title to this article is no exaggeration. It is not the editorial license of a Sunday supplement space-writer nor the dream of a youthful engineer desirous of seeing his name in black type. It stands for a project conceived over a period of many years by many minds, some of them the best in the engineering profession. It is endorsed by economists and statesmen and eagerly awaited by calibred financiers. Already upwards of $1,000,000 has been spent in preliminary work.

In conception, it appears as fantastic as Jules Verne's trip to the moon. Yet it presents no problems that have not been worked out many times on a smaller scale. Its chief objection, if such can be classed as an objection, as Mr. Paul T. Brady, president of numerous public utility companies and with the Westinghouse Electric & Manufacturing Co., says, is that "it seems too big to be true."

When this project is completed it will dwarf to insignificance any other engineering work which man has undertaken. The great pyramids of Gizeh, the Simplon Tunnel, Union Pacific's "cut-off" at Salt Lake, New York's Croton water system—all will have to step to the rear. Even the Panama Canal will take second rank.

Lest we be accused of prolonging the element of suspense let it be said that this Titanic engineering project contemplates supplying the entire north-eastern section of the United States with electric light and power from one main source, the St. Lawrence and Niagara Rivers.

Electrical scientists, Steinmetz, Edison, Westinghouse, have for years been pointing out how uneconomic is the present method of deriving electric power from the consumption of coal. Lay economists of the Henry Ford persuasion have given them ample support. But the old changes to the new slowly. Though not so slowly in this case as one might suspect. In the last quarter of a decade, there has been a very widespread development in water power projects. In the seven-year period from January 1, 1914, to January 1, 1921, the investment in this country in electric light and power plants nearly doubled, totaling more than four billion dollars on the latter date. Of that total a very considerable part is represented by water-power plants.

Where There Is Unlimited Power

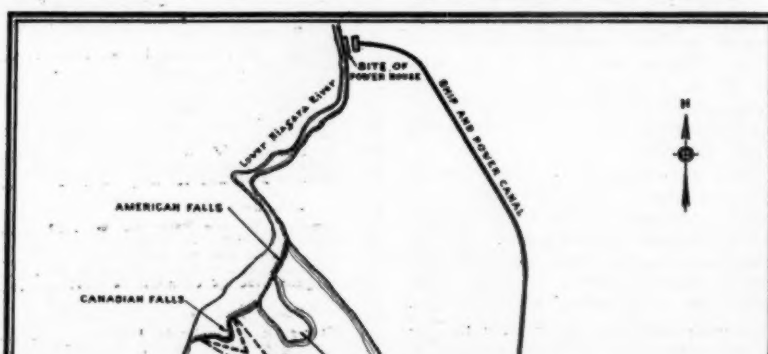
Let us begin at the beginning. From the level of those greatest of all inland bodies of water known as the Great Lakes, to the Gulf of St. Lawrence, is a drop of 550 to 600 feet. **The force of the mighty flood which pours down the Niagara River over the Falls to Lake Ontario and thence down the St. Lawrence River, would be sufficient, if harnessed, to supply all the electric power now used in the United States.** Between the levels of Erie and Ontario there is a drop of 326 feet, of which approximately 310 feet can be utilized. Every second for thousands of years past, and for thousands of years to come, 224,000 cubic feet of water pass over the brink of Niagara Falls. Cubic feet per second is known, by engineers, as cubic second feet, or c.s.f., and should be remembered since it is the unit of measurement in calculating water power.

If this drop of 307 to 310 feet were utilized, it would develop each second, a force or power, equal to a pressure of 155 pounds on each square inch used. In other words, if 174,000 second feet were utilized by the United States and Canada jointly, the result would equal the staggering total of 5,220,000 h.p.

The Burton Treaty

On May 13, 1910, the so-called Burton Treaty between this country and the Kingdom of Great Britain was drawn up concerning the use and diversion of the waters of Niagara River. The Hon. Theodore E. Burton, who has frequently contributed to these columns, headed the American section of the Joint Commission, hence the treaty bears his name.

The Burton Treaty permitted the diversion of 56,000 c.s.f. of water from the Niagara River for water-power purposes and 36,000 c.s.f. were allocated to the Province of Ontario and 20,000 c.s.f. to the United States. The reason for the apparent discrepancy in favor of the Prov-



Showing canal from upper Niagara River to power plant site of the Niagara Super Power Co. Also how baffles will spread the water in the Niagara River so that the entire Canadian Falls will be inundated

ince of Ontario, was that that amount of current from 8,000 c.s.f. was then being generated on the Canadian side but was being used in the United States.

At the present time, all waters on both sides of the river, permitted to be diverted under said Treaty, by virtue of license of legal authority, are now diverted and developed as shown in the accompanying table:

	Diversion c.s.f.	Net Head	Rated Capacity	Present Production
Ontario Power Co.	10,000	178	175,000 h.p.	100,000 h.p.
Electrical Development Co.	10,000	130	145,000 h.p.	110,000 h.p.
Queenstown-Chippewa Co.	8,000	305	220,000 h.p.	210,000 h.p.
Can. Niagara Falls Power Co.	8,000	135	100,000 h.p.	100,000 h.p.
Hydraulic Race Power Co.	500	Various	Various	Various
Niagara Falls Power Co.	19,560	212	413,400 h.p.	400,000 h.p.

It should be noted that only one of the above companies, the third on the list, utilizes anything like the full drop or head of 307 to 310 feet available. At the time the others were built, the idea of full conservation of power by using the full head, was not thought necessary.

As a matter of fact the joint commissioners were agreed that a diversion of 56,000 c.s.f. would meet the local hydro-electric demand for all time. They could not forsee that the progress of electrical science would enable the electrical engineer to extend his transmission lines from a couple of hundred to five hundred and then a thousand miles. Mankind never sees very far ahead.

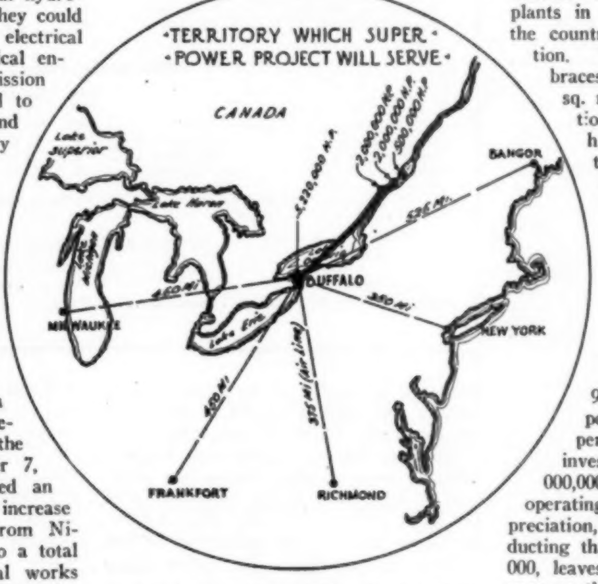
But science and the demands of the human race march on without cessation. In a comparatively few years, the entire quota of 56,000 c.s.f. had been taken by the United States and Canada and there was an insistent demand for more power and light. Under an appropriation by Congress, United States engineers made a study of the situation. In a report submitted to Congress by the Secretary of War on December 7, 1920, the engineers recommended an amendment to the Treaty to increase permitted diversion of water from Niagara River from 56,000 c.s.f. to a total of 80,000 c.s.f. without remedial works and to 125,000 c.s.f. with remedial works. In other words, the engineers believed that 80,000 c.s.f. could be taken from Niagara River without damaging the scenic beauty of Niagara Falls and 125,000 c.s.f., provided certain "remedial works" were constructed.

Meaning of "Remedial Works"

Since the only valid objection on either side of the border to taking unlimited power from Niagara has been the damage which might be done to Nature's greatest scenic masterpiece, one naturally wonders how in taking 56% more than 80,000 c.s.f. or approximately 75% of the entire flow of the Niagara River, the majesty and beauty of Niagara Falls would be undiminished.

Glancing at the map which accompanies this article one notices that Niagara Falls is divided by Goat Island. And one should recall that the international boundary line passes directly down the middle of the river. The American Falls, which extend from Goat Island to the mainland, are an unbroken stretch of tumbling foam. But the V shaped indentation in the center of the Canadian Falls acts as a sort of funnel into which a much greater volume of water rushes than would be the case if the line of the Falls was approximately straight, as in the American Falls. The result is that about one-third of the Canadian Falls is bare rock. And since the water gnaws the V indentation back at the rate of about four feet a year, there is no prospect that Nature will restore the pristine beauty of the Canadian Falls.

In these times, however, man does not hesitate to improve upon nature. The granite chin of the Old Man of the Mountain in Profile Notch, N.H., is held up by chains invisible two thousand feet below, and the Canadian Falls present a problem in kind.



By means of massive cement structures known as "baffles" and which correspond to breakwaters familiar to most, it is proposed *to spread the waters of Niagara River,* so the Canadian Falls will at all times be inundated. Thus, while the actual volume which passes over the two falls will be but 25% of formerly, the scenic result will be far more effective than before.

9,720,000 H.P.

But the Niagara development is but one part of the grand plan. Two hundred miles down the St. Lawrence, between Waddington and Cornwall, half in the United States and half in Canada, is the site for a 2,000,000 h.p. development which would eliminate the Sault Rapids. On the Canadian side between Lake St. Francis and Lake St. Louis it will be possible to develop an additional 2,000,000 h.p.

Between Lake St. Louis and Montreal 500,000 h.p. can be harnessed. From the smiling waters to Erie, then, to the ruffled surface of the Gulf of St. Lawrence, 9,720,000 h.p. awaits the engineer. *And all within 350 miles of New York City.* Truly a force infinitely greater than any which man has heretofore succeeded in bringing under control. Fitly the new company, which is to develop this prodigious natural energy, is called the Super Power Corporation.

The Practical Side

What will this tremendous project cost and what can it earn? What consumers will it benefit and to what extent? Logical questions all.

Take Buffalo as a center and draw a circle embracing Bangor, Me., New York City, Richmond, Va., Cincinnati and Chicago. The southern half of this circle includes 75% of all the manufacturing plants in the United States and by far the country's densest centers of population. Within this area, which embraces between 500,000 and 600,000 sq. miles, a Super Power Corporation would distribute 9,720,000 h.p. Allowing 10% for loss in transmission and 8,000 hours operation per h.p. per annum and the total h.p. hours per annum available would total 70,000,000,000. Taking 70,000,000,000 h.p. hours per annum, and a selling price at ½c. per h.p. hour and the company's gross income would be $350,000,000.

The cost of developing this 9,720,000 h.p., based on past experience, is estimated at $150 per h.p. On this basis the total invested capital would be $1,458,000,000. Allowing 12% per annum for operating expense, interest, taxes, depreciation, etc., or $175,000,000, and deducting that from the gross of $350,000,000, leaves $175,000,000 or 12% per annum on the invested capital.

How does the Super Power Corporation's selling price of ½c. per h.p. compare with the present cost in the territory where the company will operate?

A representative railroad, the New York Central, for instance, burns 8 to 10 pounds of anthracite to produce 1 h.p. Small power plants use about 6 pounds per h.p. and the largest and most efficient plants about 2 pounds per h.p. The cost per h.p. ranges from 7 mills to 5c. Taking the lowest coal consumption (2 pounds) and it would require, to produce 70,000,000 h.p. hours (the annual capacity of the Super Power Corporation), 140,000,000,000 pounds of coal or 70,000,000 tons. At $6 a ton this coal would cost $420,000,000 or $70,000,000 more than it would cost to purchase the same amount of power from the Super Power Corporation. As a matter of practical operation, the saving would be closer to $100,000,000

(Please turn to page 849)

A Practical Article for Investors

Ten Strong Public Utility Issues

The Outlook for the Public Utility Companies and a Description of Some of the Best Opportunities

By JAMES N. PAUL

IT is not the intention of this article to advise purchase of securities of public utility companies as a whole, but to point out some opportunities in stocks and bonds of this group which appear to be selling out of line in comparison with other issues of a like character.

In commenting on securities of public utility companies, it is obvious that, having declined less than other groups in the recent downward market, the yields will naturally not show up as well as those of other companies' securities which have been affected to a greater degree by market or trade conditions. In pre-war days, public utility securities were a favorite medium of employment of investment funds. It has taken almost ten years for them to regain their prestige, and, to the investor who wisely seeks to diversify his investments, the public utility companies must occupy a prominent position.

The public utility companies this year should make the best showing, as a whole, of any year since 1917. Rising costs of operation first became apparent when the war started in 1914, but did not become really acute until the latter part of 1917, after the entry of this country into the World War. All this, of course, is by now ancient history to those who follow the activities of these companies, but with six months of 1923 earnings known, the fact that these companies can produce earnings larger than in the corresponding period of 1922, is gratifying and surprising. This will serve to explain the strength of the securities of these companies in the recent bear market.

PUBLIC UTILITY INVESTMENT SUGGESTIONS

BONDS OR NOTES

Company	Security	Rate	Maturity	Yield	Recent Price	Market
Appalachian Power	Sec. 7s	7%	1936	7.00%	100	Unlisted
Middle West Utilities Co.	Sec. B	8%	1940	7.55%	104	Unlisted
Penn-Ohio Power & Lt. Co.	Sec. 8s	8%	1930	7.40%	103	Unlisted

PREFERRED STOCKS

Company	Issue	Rate	Times Div. Earned 1922	Yield	Recent Price	Market
Am. Water Wks. & El. Co.	7% pfd	7%	2.3	7.7%	90	N. Y. S. E.
Market St. Railway	Prior pfd	6%	2.0	9.1%	65	N. Y. S. E.
Public Service of N. J.	8% pfd	8%	3.8	8.1%	99	N. Y. S. E.

COMMON STOCKS

Company	Issue	Cur. Div. Rate	*Earned Per Sh. 1922	Yield	Recent Price	Market
Cons. Gas N. Y.	Common	$5	$7.31	8.0%	61	N. Y. S. E.
Laclede Gas	Common	7	9.02	8.6%	81	N. Y. S. E.
Phila. Co.	Common	4	5.28	9.1%	44	N. Y. S. E.

* Dollars a share earned on no par value common stock.

HIGHLY SPECULATIVE

Company	Issue	Cur. Div. Rate	Dls. Earned Per Sh. 1922	Recent Price	Market
Tenn. Electric Power Co.	Common	None	$2.39	12	Unlisted

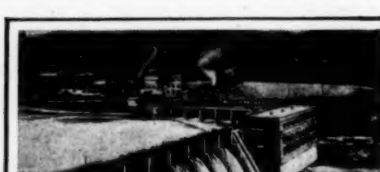
New Financing Necessary

Much of the prosperity of the public utility companies this year must be attributed to unexpectedly large increase in gross business. On the other hand, to meet the steady demands for new service a considerable amount of new financing is necessary. This should tend to keep yields on bonds and notes down to a fairly liberal level and is one of the most potent arguments against any immediate rise in markets for these securities though there are a number of exceptions. The first of the year witnessed a deluge of new securities of utility companies which took some time to be digested, but absence of new offerings during the Summer months leads to the conviction that the latter part of this year will see a renewal of demands for additional capital.

That the operators of public utlity properties are confident of the future is indicated by the number of new projects under way. Within the past month, announcement has been made of numerous new hydro-electric projects. Indeed, the tendency seems to be toward the superpower system and utilization of the unused water-power facilities of our mountainous regions. (See previous article.)

Some notable examples of the determination that demand for electric energy will continue to increase have been forthcoming recently. North American Co. within a few weeks has announced a plan for ultimate erection of a giant power system with transmission lines utilizing the White River in Arkansas. Development calls for expenditure of between $25,000,000 and $30,000,000, and plant will develop 160,000 primary horse power. It is proposed to create an artifical lake 100 miles in length covering 50,000 acres. This is no inconsiderable expenditure for a single company.

Another recent announcement has been that of the Pennsylvania Power & Light which proposes to expend $8,000,000 for development of water power on the Wilenpaupeck Creek, Wayne County, Pennsylvania. Project is sponsored by Electric Bond & Share Co. which is affiliated with General Electric Co. interests. United Gas & Electric Co. is planning a $30,000,000 development on the Susquehanna River if the funds can be obtained.



Everywhere, the cry seems be for new hydro-electric development to supply the expected increase in demand over the next ten years. Where hydro-electric development is not possible, the companies are arranging for giant steam plants. A few notable examples are the new Public Service Electric steam plant at Kearny, N. J., the plant of Chicago Commonwealth Edison Co. (largest in the world) and Brooklyn Edison Co. plant adjacent to the Brooklyn Navy yard.

Some Suggestions

Admittedly, with the drastic decline in securities market, attractive yields on many stocks and bonds of industrial companies can be had. From the viewpoint of the investor, securities of public utility companies should come in for consideration for at least a part of the use of investment funds. The list of issues shown in the accompanying table contains suggestions for employment of funds in conjunction with a diversified investment plan that offers unusual opportunities both from the viewpoint of yield and possibility of enhancement in value.

Unlisted Bonds Attractive

Coincident with the dulness in the market for unlisted public utility bonds some good opportunities are offered. Middle West Utilities Co., for instance, is one of the largest holding companies in the middle west and is under the Insull management, the same as the Chicago Commonwealth Edison Co. and People's Gas. The 8% notes, due in 1940, are now selling around 103 where the yield is better than 7½% on the investment. They are not callable until after November, 1925, and then at 107½ and interest. They should be especially attractive to the small investor as they can be obtained in $100 coupon and $500 denominations. Total interest charges are being earned about 3 times over. Considering the company's record and the quality of management, these bonds should be attractive though they are not advisable for long-term investment as they will probably be called before maturity.

Appalachian Power Co. 7% notes of 1921, due in 1936, are non-callable, and around par show a yield of 7%. Notes are secured by $6,000,000 of 7% general mortgage bonds or twice the amount at par of the notes outstanding. The company operates a series of steam and hydro-electric plants in Virginia and West Virginia, and earnings have been showing up well for the past two years. As a straight 7% investment at 100, the yield is good and the note seems well secured. The non-callable feature is favorable.

Pennsylvania-Ohio Power & Light Co. secured 8% notes, selling around 103, show a yield of 7.40% and mature in 1930. They are attractive and can be obtained in $100 and $500 denominations. Now callable at 108 less a point each year to maturity. Less than $3,000,000 are outstanding secured principally by $3,600,000 mortgage bonds. Organization is a holding company operating power and light properties with a negligible amount of traction lines. Property is well managed and the 8% notes can be commended as an investment for short term.

Market Street Ry. Attractive

Among the preferred stocks, from the viewpoint of the yield, the prior preferred stock of Market Street Railway Co., paying 6% annually, makes an attractive showing. The relatively high yield on this issue may be attributed in part to the fact that the road was reorganized only three years ago, so that the stock cannot by any means be classified as a seasoned investment. There are 12% in accumulated dividends on this issue and there is a good chance that some attempt will be made to pay these off gradually next year.

Market Street Railway Co. is the reorganized United Railroads of San Francisco and is one of the traction properties which has demonstrated the ability to make money on a five-cent fare. This seems to preclude the possibility of rate troubles, as it is unlikely that company could be asked to carry passengers for less than five cents. Earnings are showing stability, and this year, based on actual earnings for six months to June 30, last, show about $12 a share on the prior preferred stock or twice dividend requirements. Talk of acquisition by the municipality with par for the stock is not taken seriously now but remains a possibility. **The stock should be considered on its merits as a $6 dividend prior preferred issue, and seems attractive as showing a high yield with an element of speculation. Stock has sold as high as 87 this year.**

American Water Works

The rapid increase in earnings shown by American Water Works & Electric Co. this year has been one of the features among the public utility companies. In 1922, preferred dividend requirements were earned about four times, which is a good average. That they will be earned six times over in 1923, is indicated by monthly earnings statements so far this year, and if this average can be maintained for any length of time, the first preferred should constitute a good preferred issue for investment purposes. At 90, the stock shows a yield of 7.7%. Issue has fluctuated very little this year despite the recent bear market, the high being 93 while the low was 85¼.

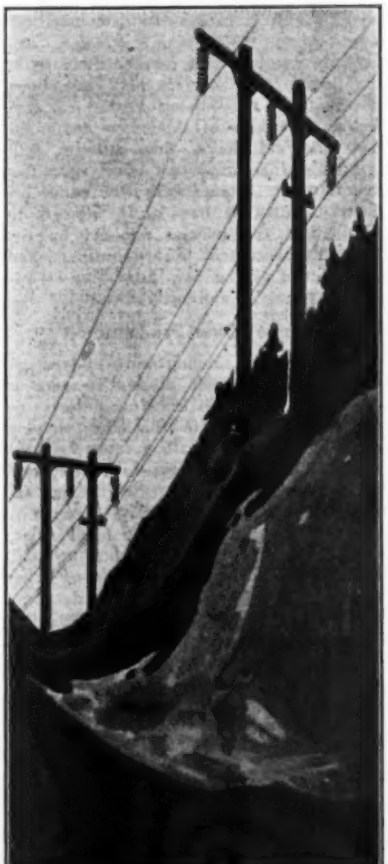
Public Service Corporation of New Jersey 8% preferred, selling around 99, shows a yield of 8.1% and appears especially attractive at these prices as a straight investment proposition. Dividends on the preferred stocks are being earned close to four times and the fact that stock is now non-callable should make it especially attractive for permanent investment. The yield is well above the average for a stock of like character. This issue has sold a fraction above 108 this year and is now selling within a point of the year's low. Strike of employees of the corporation's traction subsidiary has aided in depressing stocks and bonds of the company, but this matter gives indication of speedy settlement if indeed it has not already been settled at the time of printing of this article. Just what the traction companies mean to Public Service in a comparison of earning, is shown by the company's statement, that in the 1922 annual report, they contributed only 8% of the net.

The Junior Shares

Among the list of common stocks shown in the accompanying table, it is interesting to note that Philadelphia Co. common stock has the best dividend record of any of the three companies; yet it shows the highest yield. Company has had an unbroken dividend record since 1899. Last year, earnings were equivalent to $5.28 a share on the $50 par value common stock or 10.56%. Present dividend rate on the shares is $4 annually, rate having been increased from $3 annually a short time ago. High price for the year is around 50 and the stock appears attractive at current levels of around 44, in comparison with other issues. Earnings this year are not showing any marked improvement over last year, but company should be able to equal at least the 1922 showing.

The situation with Consolidated Gas Co. has been touched upon too often recently to need any further outline. The previous issue of THE MAGAZINE OF

(Please turn to page 866)



Money, Credit and Business

Politics Now the Predominant Business Factor

Trade Meanwhile in Transition Stage

EVENTS of fundamental importance to business have taken place during the past month, and the outcome of these developments is as yet uncertain. Among them, the most outstanding are the more complete collapse of Germany, and at the same time the announcement of what amounts to an open breach between England and France; and the transfer of the Government of the United States to the hands of President Coolidge as a result of the untimely death of his predecessor.

These events are unquestionably producing important effects upon the business situation, although the exact nature of them is still in process of determination. The present European situation apparently means a still further decrease in the demand for our exports, due to a lowering of the buying power of European purchases of American commodities. Beyond doubt, this situation will bring about an important effect upon our export trade. Domestically, the whole industrial situation has lately seemed to turn about the policies adopted by the Federal Government toward business, and the attitude of the new Executive on essential points is anxiously awaited.

Some Over-Production

Meantime, the slowing down of business which was noticeable at Mid-summer is continuing, although careful surveys do not seem to indicate that this slowing down is much, if at all, greater than the seasonal recession always to be expected at this time of the year. Steel plants are reported running at 80 to 90% of capacity for the most part, but the unfilled orders of the U. S. Steel Corporation are still declining, and the same is true of other establishments. This condition does not necessarily foreshadow a great lessening of demand, but it does indicate an unwillingness on the part of the public to commit itself very far in advance, due to the feeling that many conditions are now uncertain, and that it is well to work more or less on a hand-to-mouth basis. The continuation of active steel demand depends very largely upon railroad equipment purchases, the activity of the automobile trade, and the purchasing power of the oil industry.

As for the first two elements in the situation, the outlook appears to be definitely good. In oil, however, a serious condition of over production has set in, with an increasing accumulation of stored oil and correspondingly unfavorable prospects. The result has been a good deal of cutting of prices and resultant disorganization in the oil trade, and in trades dependent upon it. Some believe that this situation has about reached its worst stage, and that coming developments will be for the better rather than the worse. The accompanying diagrams show the trend of things in the steel industry, indicating the continuation of a large production of pig iron coincidentally with decline in unfilled orders.

Railroads Active

That there is a fundamentally good condition of business is, however, testified by the continuation of railroad activity, with carloadings which are very high for this season of the year, or indeed for any season. Continued good business for the railroads is dependent, of course, upon agricultural prosperity and industrial activity. So far as yields are concerned, the season appears likely to be productive of good results in most branches of farming.

The price situation is not favorable in some of the cereals, especially wheat, although it is better since the middle of August than before that date. There will undoubtedly be a fairly large carryover of wheat, and perhaps of some other cereals, but there seems no reason to doubt that the railroads will receive at least a moderate average volume of agricultural freight, while industrial freight shows no sign of slackening, carloadings being frequently above one million for the week.

All this constitutes a favorable prospect for business activity, particularly so in view of the fact that prices have shown a disposition to decline, as measured by wholesale indexes. Such indexes are now moving downward, both here and abroad, although very slowly. The downward movement is, as remarked last month, in no small degree due to the presence of unfavorable price factors representing agriculture, for there has been comparatively little recession of prices in general manufactured commodities.

If agricultural prices had not receded, the average level might have been somewhere near stable, but even as it is, the falling off is not sufficient to cancel more than the increase which had occurred since about January last. There is not enough price shrinkage in most lines to interfere with business stability. Such price shrinkage, moreover, undoubtedly tends to stabilize wages, and thus to prevent the growth of inflated costs of production. The accompanying diagram reflects these moderate price recessions, both as shown in Bradstreet's figures, and in those compiled by the Federal Reserve Bank of New York for the purpose of comparing the price movement here with that of Great Britain.

Money and Credit

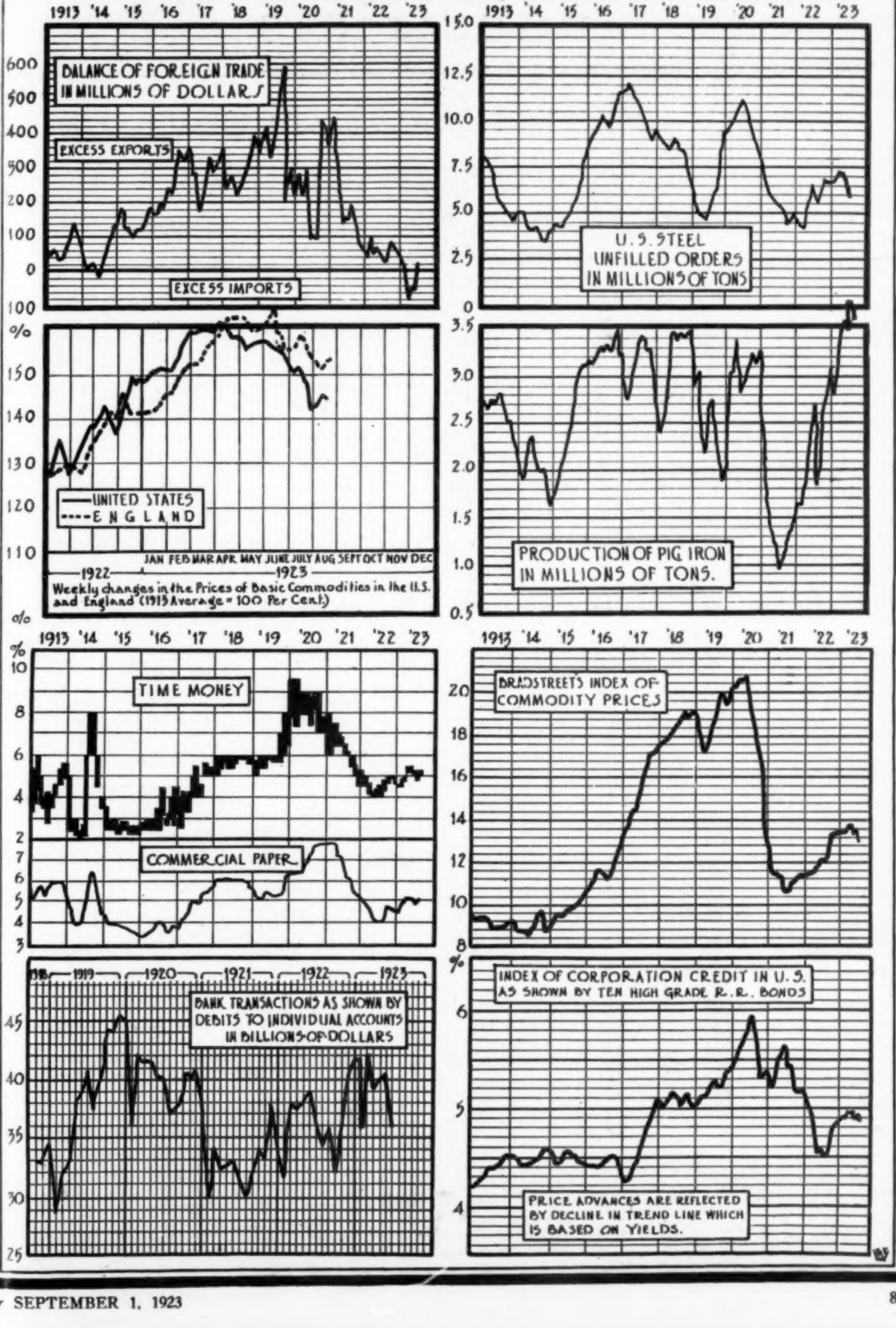
Money and credit conditions have been singularly stable, with rates that have varied but little during the month, notwithstanding the growth of the usual seasonal crop-moving requirements. As September advances, there will be a growing demand for crop-moving money, but there is little or nothing thus far to indicate much pressure upon the banking system or materially higher rates. Bond values have remained tolerably firm, with slight fluctuations, the drift perhaps being moderately downward, and the cost of corporation credit has accordingly been not far from stable, though with possibly a slight rising tendency, reflecting the seasonal hardening of short-term money rates. This condition of affairs does not appear likely to change in the near future, at least in any material way, although there may be minor advance in rates during the autumn movement of funds which usually reaches its climax toward the end of October. The banking structure remains strong and amply fortified, with no apparent disposition to loss of gold, notwithstanding the shifts and changes in our balance of trade.

Trade Balance Reversed

As to this latter point, an interesting reversal has taken place, the latest figures (for July) showing a trade balance of about $26,000,000 in our favor. These figures must be interpreted with some reservations, the balance being due to a reduction of imports, rather than an increase of exports. Restoration of a "favorable" balance is thus in some aspects unfavorable, since it shows a lessened activity in our plants which had been importing so heavily of raw material

(Please turn to page 865)

THE TREND OF MANUFACTURE, TRADE AND COMMERCE



Industrials

Twenty Stocks That Should Earn $20 a Share in 1923

Some Large Earners Offer Remarkable Investment Opportunities—Prospects for Continuance of Unusual Prosperity

By GREGORY MARSTON

NOW that the market is headed upward again, the ancient argument will recommence between the defenders of cheap stocks and the adherents of high-priced stocks as to which is the most profitable medium of investment. Those who favor low-priced stocks will point out that a relatively small rise, in points, means a great increase in percentage of purchase price, in their favored category. The man who prefers high-priced stocks will emphasize the fact that they are apt to be safer investments, that they usually have a long-established record of good earnings in back of them, as well as assets accumulated out of past profits, and that they have a well-ascertained "bottom" which the low-priced stock usually lacks.

Without taking sides in this controversy for the time being, we can say that at the present time, in the case of a number of stocks selling at comparatively high prices, the disparity between earning power and market price is unusually glaring. This seems to be especially true of the stocks in the upper ranges of earning power, that is, apparently in a position to earn $20 a share or more in the current year.

Of the twenty stocks in this class which we have selected in the accompanying table, only nine are selling above 100, while one is actually quoted below 50. All but two or three of these stocks are in a position to double their current cash dividend rate without overstepping the bounds of conservatism.

Yet this favorable situation has been reasonably well discounted in five stocks out of twenty, at the outside. This points to a market in which the discriminating investor can pick up real investment bargains, measured by both current return and outlook for future dividends.

The investor who wants to dig out the most attractive opportunities in this field would do well to divide the stocks which are in position to earn $20 or over this year into two classes: those which have been earning about that sum regularly in past years, and those which have only recently graduated into that class. On making such a division, it is apparent that the new arrivals are likely to have had their outlook less thoroughly discounted that the old war-horses of the high-grade investment group of common stocks, and, in point of fact, the three companies which have been selected for detailed analysis are all in this section.

This does not mean that the old-line stocks do not still, in many cases, present splendid opportunities, but merely that the widest disparity between earning power and current market price is to be found in stocks which have only recently demonstrated their high earning power.

The position of the railroads, from the point of view of relation of market price to earning power, is anomalous, as indicated by the six stocks cited in the list. The estimated earnings for the full year have been calculated by weighting the known earnings for the first six months by a coefficient representing the average ratio of six months' earnings to those of the full year for the last ten years. In spite of the splendid earnings showing thus indicated, all but one of the railroad stocks mentioned are earning larger percentages on their current market price than any one of the industrials. The tendency of the market, thus illustrated, to fight shy of basing railroad stock valuations on this year's earnings must be taken into consideration by the investor, as it has led to some disappointment in recent markets.

The ratio of earnings to market price has been one of the factors to which most weight was given in the selection of the "best three." The larger this percentage, the less the market has discounted the outlook for higher dividends on the stock. This percentage has been calculated on the earnings of the first six months of the year, estimated where official figures were not available, as industrial conditions shift rapidly and a full year's earnings cannot therefore be estimated by merely doubling the known figures for the first half-year. Anyone attempting to estimate the earnings of automobile companies last year, for instance, by doubling the first half-year's earnings would have sadly underestimated their final showing.

Due weight has had to be given, therefore, to the outlook for the particular industry in which each company is engaged in estimating the prospects for the second half-year, as well as to the position of the company in its industry. On this basis, the three outstanding opportunities in the list appear to be Cluett-Peabody, Lima Locomotive and Youngstown Sheet & Tube.

CLUETT-PEABODY CO.

This company manufactures the well-known "Arrow" brand of collars and shirts, which are sold in many foreign countries as well as in the United States and Canada. One of the considerations in the choice of this stock was the fact that its product is a staple commodity, which has to be bought and replaced at regular intervals by consumers no matter what business conditions are, and also the fact that the good earnings this year were shown before the big selling season which comes in the fall and winter and culminates in the Christmas holidays.

From the company's incorporation in 1913 sales have shown an almost unin-

terrupted increase until the depression year 1921. Sales of 15.6 millions for the first half of the current year are the best figures for the corresponding period of any year in the company's history, including the boom years 1919 and 1920, and the final showing for the year should exceed the 32.8 millions of sales for 1920 which has been the company's best record so far.

CLUETT-PEABODY

	Earned Per Share	Paid Per Share
1913	$8.57	..
1914	5.17	$4
1915	8.67	4
1916	12.51	5
1917	10.95	6
1918	7.28	6
1919	25.52	6
1920	10.29	8
1921	.....	1½
1922	11.07	..
1923	*20.00	6

* Est.

The earning power of the company has shown a similar upward trend, except for 1921, again. The decline in earnings in that year to $275,000 before preferred dividends was due to poor trade conditions and the necessity of taking losses on inventories carried at 15.9 millions at the end of the preceding year. As cotton fell almost perpendicularly from a high of 43 cents in 1920 to a low of 10 cents in the following year, and as the company is compelled to carry large commitments in cotton to assure the continuity of its operations, this loss was inevitable.

The financial position on June 30 of this year was excellent, current assets of 16.4 millions being 3½ times current liabilities of 4.7 millions, the latter including $678,000 of Federal tax reserve. Among the assets are 1.2 millions in cash and receivables of 4.9 millions which are alone enough to cover all the receivables.

Some exception has been taken by the hyper-critical to the item of good-will patents, etc., carried for many years on the company's balance-sheet at 18.3 millions. Objection on this score does not seem justified in view of the great importance of the company's trade-name and reputation in securing sales for it, and of the large sums of money which have been profitably spent on advertising the company's products.

Based on the showing for the first six months, the company could double its current rate of dividend payments without difficulty, or even triple it and still have something to add to surplus. While such eventualities are not matters of the immediate future, they serve to mark its status as a long-term investment. **Even at the current rate of $5 annually, the stock yields 7.6%, which is a very handsome return in view of the extremely good prospects of the company.**

LIMA LOCOMOTIVE CO.

The present company was founded in 1916 as successor to a business established in 1872. It has a capacity of 450 locomotives per year. On this volume of business it has shown a continuously good earning power, without allowance for exceptional war conditions, except for the year 1922 when it showed a small amount earned on the common, which was better than some of its larger competitors were able to do.

In 1922 the capitalization was altered from 43,500 shares of common of $100 par to 171,693 shares of no par value, in addition to which the outstanding 1.9 millions of preferred stock, except for a few shares, exercised their rights of conversion into common so that there are now about 211,000 shares of the latter outstanding with no securities preceding them. The saving in preferred dividends on the entire issue formerly outstanding alone amounts to nearly $1 a share on the present common.

Because of the extremely conservative dividend policy, combined with excellent earning power, the company had built up a strong asset position and working capital position by the end of last year. Average earnings for the four years 1918-1921 were $17.24 a share, while total dividends for the period were $7 a share, paid in the last-named year. In 1922, in common with other equipment companies, Lima suffered from lack of business, sales falling off from 12.5 millions to 6.5 millions, so that final earnings for the year per share of common were only 25 cents on the new stock, equivalent to $1 a share on the old common. At the same time the new stock was put on the present $4 annual basis.

LIMA LOCOMOTIVE

	Earned Per Share	Paid Per Share
1918	*$14.66	.....
1919	12.60	.....
1920	20.19	.....
1921	21.52	$7.00
1922	0.25	†1.00
1923	†22.00	†4.00

* On stock of $100 par.
† On new stock of no par value.

According to its showing for the first half of the current year, Lima could double its dividend rate on the first half's earnings alone, or quadruple them for the year and still maintain a margin for surplus.

The strong financial position would permit of some action in this direction in the near future. Current assets of 7.2 millions are far in excess of the 2.1 millions of current liabilities, leaving a working capital of over 5 millions. Cash holdings of 1.6 millions amount to about $8 per share of common, while in view of the caliber of the company's customers, an exceptionally strong financial position is not needed for its business.

At the present $4 rate the stock yields 6.1%, but the well-fortified asset position, the high earning power, and the 14.7 millions of unfilled orders, all for domestic railroads, equivalent to a year's full business at 100% of capacity, indicate that better things for the stockholders are in sight, and make the stock unusually attractive.

YOUNGSTOWN SHEET & TUBE COMPANY

Youngstown's record of growth since its organization 23 years ago has been surprising, even for the steel industry. Beginning with a capital of $600,000 and a production of 122,000 tons a year, it now has a capitalization of 89.3 millions of bonds and preferred stock and nearly a million shares of common of no par value, with an annual capacity of 3 million tons. The significant deduction therefore is that productive capacity has increased faster than capitalization.

A great part of its present capacity is due to its absorption this year of Brier Hill Steel and of the Steel & Tube Co. of America, which added to it assets valued at 95 million dollars. It owns its own coal mines, producing 6,000 tons a day, and iron ore, and also has large zinc holdings. In its major specialties, steel

(*Please turn to page* 868)

TWENTY STOCKS THAT SHOULD EARN $20 A SHARE IN 1923

Company	Reg. Div. Rate	Recent Price	Yield in %	Earned 1st 6 Mos. 1923	% Earned on Recent Mkt. Pr'e
MOTORS:					
Mack Trucks, Inc	$4.00	77	5.2	$12.23	15.9
Nash Motor	7.00	95	7.4	13.03	13.7
Studebaker Co	10.00	105	9.5	17.41	16.6
EQUIPMENTS:					
American Locomotive	6.00	73	8.2	12.16	16.6
Baldwin Locomotive	7.00	122	5.7	a19.00	15.6
General Electric	b8.00	177	4.5	a10.00	5.7
Lima Locomotive	4.00	65	6.1	a11.00	16.9
MISCELLANEOUS:					
American Tobacco	12.00	145 (Class B)	8.3	a10.00	7.0
American Can	5.00	96	5.2	a10.00	10.4
Cluett-Peabody	5.00	66	7.6	10.89	16.5
Corn Products	6.00	127	4.7	10.40	8.2
United Fruit Co	8.00	172	4.6	a10.00	5.8
Woolworth	8.00	250	3.2	a12.00	4.8
Youngstown Sheet & Tube	5.00	66	7.6	ca11.00	16.7
RAILROADS:				Est. for 1923d	
Atlantic Coast Line	7.00	112	6.2	22.15	19.8
Baltimore & Ohio	....	49	...	20.40	41.8
Central R. R. of N. J	8.00+$2	192	4.2	19.40	10.1
New York Central	7.00	99	7.1	23.55	23.8
Reading	4.00	76	5.3	19.70	28.9
Toledo, St. Louis & Western	2.40	70	3.4	25.00	35.7

a Partly estimated. b Also 5% annually in stock. c Including earnings of Steel & Tube Co. of America. d On basis 1st 6 mos. earnings.

Investment Opportunities in Over-the-Counter Stocks

How and Why the Over-the-Counter Market Has Grown in Public Favor—Position and Outlook of Six Promising Issues

By JAMES W. MAXWELL

AT A meeting of the managing board of THE MAGAZINE OF WALL STREET towards the close of 1921, a belief that had been shared by the staff for a long time previous crystallized into a decision.

The belief was that the readers of these columns would find use for a department devoted particularly to the so-called "Over-the-Counter" market, in view of the standing and records of many of the securities dealt in there. The decision was to introduce such a department and make it thenceforth a regular feature of the Magazine.

QUOTATION LIST OF ACTIVE OVER-THE-COUNTER ISSUES

American Arch (N)	64 —68
American Book Co. (6)	85 —90
American Cyanamid (4)	56 —59
Pfd. (6)	68 —70
Amer. Thread pref.	3¾—4¼
Amer. Type Founders (6)	71 —74
Pfd. (7)	97 —100
Atlas Portl. Cement (4)	69 —75
Babcock & Wilcox (7)	104 —106
Borden & Co. (8)	116 —118
Pfd. (6)	100 —103
Bucyrus Co.	34½—36½
Pfd. (7) A	104 —106
Celluloid Co. (6)	80 —90
Childs Co. (8)	146 —150
Pfd. (7)	108 —110
Congoleum Co., 1st pfd. (7P)	97 —100
Congoleum com. (8)	211 —213
Crocker Wheeler (2)	30 —40
Pfd. (7)	75 —90
Curtiss Aero & M.	7 —8
Pfd.	28 —33
Jos. Dixon Crucible (8)	137 —142
Gillette Safety Razor (12P)	†242 —245
Ingersoll Rand (8)	125 —...
McCall Corp'n	38 —43
Pfd.	115 —120
New Jersey Zinc (8P)	150 —153
Niles-Bement-Pond	27 —32
Pfd. (6)	75 —85
Phelps-Dodge Corporation (4)	150 —160
Poole Engineer'g (Maryland):	
Class A w. i.	20 —25
Class B w. i.	9 —14
Royal Bak'g Powder (8)	122 —130
Pfd. (6)	98 —100
Safety Car H. & L. (6)	82 —84
Savannah Sugar	55 —60
Pfd. (7)	78 —82
Singer Mfg. Co. (7)	111 —114
Superheater Co. ($8P)	115 —119
Thompson-Starrett (4)	58 —65
Victor Talking Mach. (8)	—155
Ward Baking Co. (8)	104 —108
White Rock (5)	46 —49
2nd Pfd. (5)	55 —59
1st Pfd. (7)	83 —87
Yale & Towne (4)	62 —65

* Dividend rates in dollars per share designated in parentheses.

† Listed on N. Y. Curb Exchange.

P—Plus Extras.

x—Ex-Dividend.

A—Arrears of 16½% being discharged at rate of 2% annually.

N—Dividend rate on American Arch new common not yet known.

The first appearance of the new Over-the-Counter Department was in December, 1921. It has appeared in every issue since and as the amount of space offered the Department in this issue would indicate, it has more than vindicated the judgment of the Board.

A Successful Department

Since 1921, the type of Over-the-Counter security which has been covered in our Special Department (the standard-company security, representing old-line industries and enjoying old-line management, not the cats and dogs which are kicked around in unlisted circles because no regular exchange will admit them) this special Over-the-Counter type has demonstrated its right to the consideration of all enterprising investors.

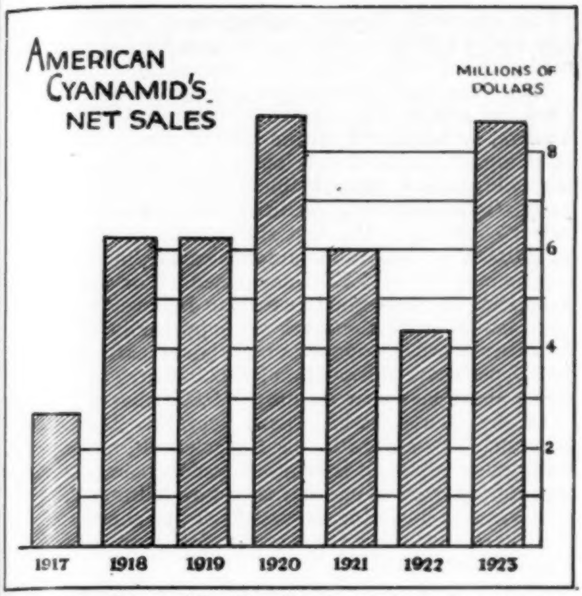
First, experience with the Over-the-Counter Department has revealed that many of the finest, strongest and most prosperous business organisms of this country have their stocks dealt in there. Child's Restaurants, Borden's Milk, Gillette Safety Razor, Royal Baking Powder, American Type Founders, Joseph Dixon Crucible, and so on, and so on: The quotation table of the Over-the-Counter market is an impressive list of long-established and universally known companies like these, all engaged in what may be called essential industries.

Secondly, experience with the Department has shown that the salient facts concerning many of these companies—the information about them that is supposed to be lacking because of their not being listed on any exchange—is not only available, but is available in surprising quantity. Our Special Department, it may be said, has given convincing proof of this fact. By carefully sifting the wheat (reliable information) from the chaff (irresponsible gossip) it has been able to forecast many of the most noteworthy developments in the affairs of Over-the-Counter Companies. Nor has official information to stockholders been lacking. It may be said that the tendency to fully apprise shareholders of the accomplishments and performances of their companies is increasing among the standard-type companies represented in our Over-the-Counter group.

The third and perhaps the most striking conclusion drawn from nineteen month's conduct of the Over-the-Counter Department is that alert investors who follow this market find in it (if they restrict their operators to the type of company referred to here) greater opportunities for profit and less likelihood of loss than in many other fields.

Not Hard to Explain

There is nothing mystifying or difficult to explain in this fact. It is the natural result of perfectly logical factors. Consider (1) that our type of Over-the-Counter company has a record, in most cases, stretching back for decades; (2) that such companies



"American Cyanamid's 1923 (fiscal year ends June 30) report exceeded the best expectation. It showed net sales of 8.5 millions, as against 4.3 millions the year before"

are, for the most part, engaged in essential lines; (3) that their managements, in large measure, are either their founders, or the descendants of their founders, and their continued success not only a matter of so-to-say "family pride" but also the chief source of income for many of their largest stockholders; and (4) finally, that they have been developed from the beginning as industrial organisms rather than stock-market playthings, kept strongly fortified against depression and best equipped to advantage from prosperity: Consider all these characteristics, applicable in large measure to many of the companies represented in our Over-the-Counter list, and you have a very understandable explanation of the resistance this market shows in periods of stock market liquidation and the strength it displays in favorable periods.

Some of the price-changes which have actually occurred in the Over-the-Counter list since attention was first directed to it by this Magazine may be cited to certify the profit-possibilities of the market as indicated above. Note that New Jersey zinc, which was first recommended at 125, has since sold about 170. American Type Founders (one of the first securities analyzed in the Department, and still highly regarded) started in around 40 and is now selling a good 30 points higher. Attention to the common stock of the Borden Company was first directed in December, 1921, when the issue could be purchased around 95; recently a writer singled out this issue as his choice for the "best" investment stock to be found in any market at 112. Congoleum Company, common, has been the star-performer in recent years. As will be explained in detail later, this stock has so responded to the swelling fortunes of the company that the original buyer (about four years ago) of 100 shares at $25 per share, by staying with the commitment, would have seen the value of his original allotment rise to the equivalent of $145 a share—or a 600% market gain. Beside these price advances, and no doubt contributing to them, holders of many Over-the-Counter stocks have enjoyed sizable melons, or special cash distributions.

There are evidences that the attractions of the Over-the-Counter market, as briefly suggested above, are exerting an increasing effect upon investors. Activity in the more desirable securities in the past year has grown considerably; and, with that activity, there has been a perceptible narrowing in the bid and asked quotations on these issues. Today, as a glance at our quotation table will show, it is possible to buy or sell most of these issues within a reasonably narrow range.

A brief description of a few of the more interesting Over-the-Counter issues follows:

CONGOLEUM COMPANY

An Amazing Market Performance

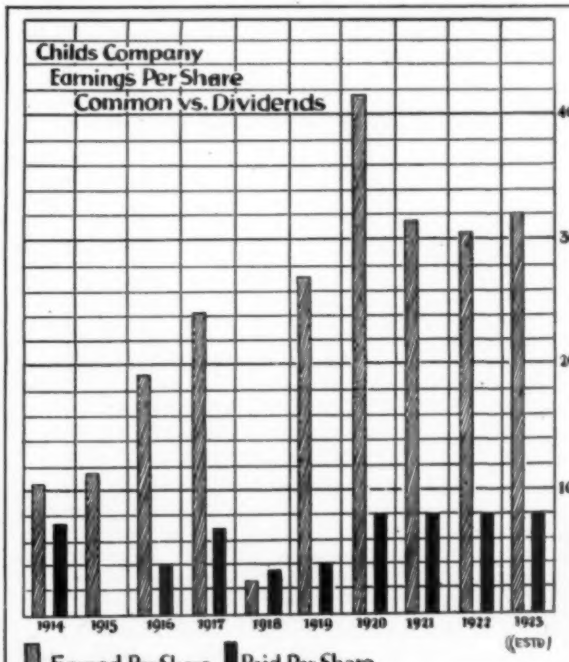
No Over-the-Counter security of which we are informed has had a more remarkable career since it was first offered to investors than the common stock of the Congoleum Company.

Congoleum common was originally issued in July, 1919, at $25 a share. Since that time, three capital increases have been affected by the company—an increase from 30,000 shares to 40,000 shares, in April, 1921, through allotment of 10,000 shares @ $50 a share; an increase from 40,000 to 100,000 in December, 1922, through allotment of 60,000 shares @ $5 a share; and finally, an increase from 100,000 to 240,000 shares, just recently announced, through allotment of 140,000 shares @ $20 a share.

How the Investment Would Have Fared

This is what these capital increases would have made possible for anyone who stayed with Congoleum from the beginning and who took advantage of all the allotments detailed above:

There were 30,000 shares outstanding originally. Buyer of 100 shares, @ $25, paid $2,500.



"Against a total balance for the common since 1914 of more than $198 per share, the corporation has disbursed in dividends only $49.50, ploughing back the remainder"

100,000 new shares were then offered stockholders at $50 a share, in the ratio of 33 1/3% of holdings. Hence, original holder of 100 shares, at $2,500, could buy 33 1/3 new shares @ $50, or at a total cost of $1,666.50, bringing gross cost of his commitment (now 133 1/3 shares) up to $4,166.50.

60,000 new shares were then offered stockholders at $5 a share, in the ratio of 150% of holdings. Hence, holder of 133 1/3 shares could buy 199.50 new shares @ $5, or at a total cost of $997.50, bringing gross cost of his commitment (now 332.83 shares) up to $5,266.00.

140,000 new shares are now being offered stockholders @ $20 a share, in the ratio of 140% of holdings. Hence, holder of 332.83 shares is privileged to buy 566 new shares @ $20, or at a total cost of $9,320 which would bring gross cost of his commitment (then 799 shares) up to $14,586.

After the latest allotment, new stock will be on $8 basis (minimum) but, in view of prospects for higher rate it should sell on an 8% basis. In that case, shares would be worth $100 a piece. Therefore, 799 shares would be worth $79,900, against actual cost to original and "following through" stockholders of $14,586.

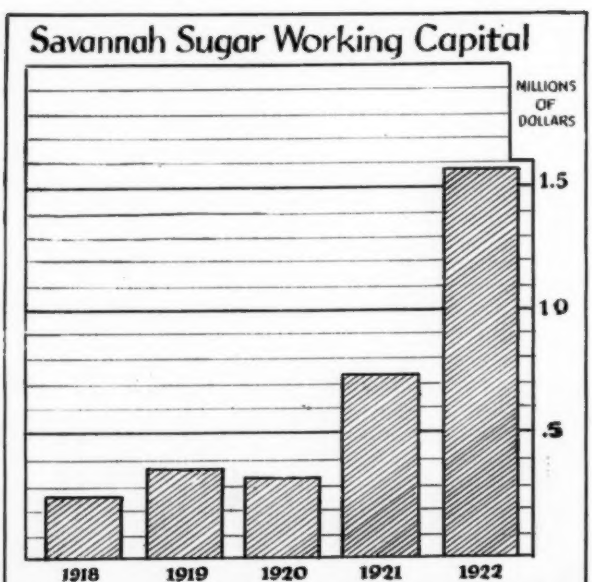
This remarkable development in Congoleum common, it may be noted, was fulfilled in a little over four years' time. Certainly, the holders of few other securities, listed or unlisted, have seen any such expansion in their commitment over a similar period.

The market performance of the Congoleum common has, it should be noted, been fully justified by a similar expansion in the company's affairs.

Congoleum was originally entirely owned by the Barrett Company. It was established as an independent enterprise, except for the retention of about one-third of its common stock in June, 1919, to concentrate on the manufacture of a specialized type of floor covering. By reason of special processes enabling it to print its product in more colors, so far as is known, than any competitor; also by reason of an eminently capable management coupled with aggressive selling methods, this company long since made its activities more than successful.

Last year, as a result of its greatly increased business, the company was able to show earnings of $26 a share, or $2,601,013 on the 100,000 shares then outstanding. Continued development of the floor-covering field, plus a considerable expansion in the company's manufacturing facilities resulted in an even better showing in the first six months of 1923; over $2,500,000, or close to the amount earned in the whole twelve months of 1922 was earned. For the whole year 1923 there is good reason to believe that earnings available for the stock will approach $4,000,000. In other words, Congoleum promises earning close to $17 per share this year on 240,000 shares as against $26 a share last year on only 140,000 shares.

In the quarters which have kept this Department accurately advised as to the Congoleum Company for many months past, it is believed that the common stock has not yet reached its expansion possibilities. **Should the issue be available around $100 per share following the latest allotment, it would appear an attractive business-speculation.**



"Against a property account of 3.4 millions, the company wrote off more than $800,000 on account of depreciation in 1922. Its current liabilities consist solely of $110,503 accounts payable

AMERICAN CYANAMID

In Interesting Position

One of the companies most recently reviewed in the Over-the-Counter Department at this writing still appears to deserve the careful consideration of investors. That is American Cyanamid, common.

Reference to this company was made at some length in the August 18th issue. It was indicated that the then-forthcoming annual report for the year to June 30th, 1923, would be a revelation to stockholders in the amount shown per share (forecasted at "well over $20 per share") and the stock at $48 per share (its then price) was called an unusually attractive business man's speculation.

An Excellent Report

On August 20th, the anticipated report appeared. It exceeded the best expectations. Net sales of the company for the year were shown to have exceeded 8.5 millions, as against some 4.3 millions in the year before. After all expenses, interest charges, taxes and other deductions, there was shown a net income of better than 2 millions; and after allowing for preferred dividends, the balance available for the common proved the equivalent of over $25 a share.

This balance for the common of more than $25 a share was in contrast with the balance of only $3.54 a share earned on the preferred in the year to June, 1922. It was conclusive proof of American Cyanamid's success (referred to in our last issue) in so developing its by-product business as to not only extricate itself from the doldrums of the fertilizer industry but to render it an organism with ramifications extending into a highly diversified field. The brief story of American Cyanamid's rehabilitation, as told before, may be repeated here:

The company is actually engaged in a highly diversified field, and derives revenue from a number of important sources entirely apart from fertilizer. Briefly: Its basic product is Carbide. This is sold directly, or used as a source of manufacturing Acetylene. Also it is used for the manufacture of Cyanamid. Cyanamid can be sold direct for use as a

(Please turn to page 852)

Improving Your Investment Position

Four Switches Suggested to Investors Whose Holdings Are Unsatisfactory

Too frequently, investors who have made a bad selection of securities continue to hold them merely because they have them. Thereby, the investor loses opportunities of strengthening his position. This article discusses the "switch" in securities as a sound method of recovering market losses, and concrete instances of how holders of four stocks may improve their position are given. The same methods discussed in the introduction may be applied in many other cases.

A FAMILIAR but seldom used (except by experienced investors) device for making up paper market losses is the "switch." The "switch" is simply the exchange from one security into another. It is done for the purpose of recovering losses.

Suppose your stock shows you a loss of 15 points, with few prospects of again reaching within a reasonable period the price at which it was originally purchased. There are two things that can be done at that point: (1) to sell out and accept your loss, and (2) to switch into another security with better prospects. In the first case, the loss is made permanent; in the second, there is no actual loss inasmuch as, through purchase of a superior issue to the one sold, the opportunity still exists not only of recovering the paper loss, but of actually enhancing the original capital.

When Should a Switch Be Made?

The mere fact that a stock may show the investor a paper loss is no signification that a switch should be made. The stock in question may be of the strongest variety and yet, due to general market conditions, may have declined in sympathy with the rest. There would be no advantage in making a switch under these conditions, for the stock substituted for the original one might prove to be no better or perhaps inferior.

Generally speaking, the only occasion on which a switch should be made is when the stock held gives no promise of returning within a reasonable period to the original purchase price, because of fundamental conditions affecting the company itself. Of course, sometimes it may happen that, while the immediate outlook of a company appears poor, the ultimate prospects may appear sound. In that case, if the investor is in a position to bide his time he may hold on to his original commitment. Generally, however, this is poor policy because of the loss of opportunity involved and the fact that the investor has to take the risk of doing with a small income or none at all during the period in which he waits for the revival of his company's prospects.

In the following, four switches are suggested, and investors are advised not only to examine the conclusions but the reasons upon which they have been based.

FROM Int. Harvester Co., Div. $5, Price 74,
INTO Foundation Co., Div., $6, Price 71

Apart from the difference in yield, this recommendation is based on the difference in the outlook for the two companies for the next year or so. The welfare of *International Harvester* is directly bound up with the economic welfare of the farmer, which is admittedly low, and can scarcely be improved before the next crop season, if then. The low price of wheat which is the cause of the farmer's distress, is due to the large crop harvested this year and the low level of exports, due largely to Europe's own large crops this year, both situations which do not lend themselves to immediate relief.

Harvester faces also the prospect of another anti-trust dissolution suit, the dissolution of 1918 having been declared inadequate. The Federal Trade Commission turned in a report adverse to the company in 1920 and on July 17 of this year the Federal Attorney-General filed a petition for dissolution in the Federal District Court at St. Paul. Should the company be compelled to dissolve by court order, its costs of production would rise sharply, while the farmer, who finds difficulty in buying equipment as it is, would be still further discouraged from buying.

Another recent unfavorable development has been the crippling of the company's plant at Neuss, in Germany, across the Rhine from Düsseldorf, by the Ruhr invasion. This plant did a large German and export trade before the invasion, and had an annual capacity of 75,000 binders, reapers, mowers, rakes and tedders.

Financial Position Satisfactory

The company is remarkably strong, both in working capital, which amounted to 144 millions at the end of last year, and in earning power in normal times, the average from 1917 to 1920 having been $22.62 a share annually. In 1921, however, the company failed to earn preferred dividends by a small margin, and last year, in spite of the business revival, earned only $1.35 a share on the common. This year it has been working at 65% of capacity, at latest reports. **The outlook at best is for a slow recovery, and extra distributions on the common are not likely for a year or more, although the long-pull outlook for the company remains excellent.**

The *Foundation Co.*, on the other hand, is in a very strong trade position. It does foundation work, general contracting, and construction, and its activities extend all over the world. For the past six years its gross business has been 25 millions while net has averaged $356,000, or nearly $9 a share on the 40,000 shares of common now outstanding. It has over 30 millions of unfilled orders now on hand, assuring it of excellent earnings for the next year at least, while the outlook is for a carryover of 55 millions for 1924.

It is fairly safe from business fluctuations, as its jobs are all specialized and of large dimensions, and 80% of its business is on a cost-plus basis. Among them are subway construction in Tokio and London, foundations for the Municipal, Woolworth and Federal Reserve buildings in New York, bridges over the Mississippi, Missouri and St. Lawrence, and other large contracting jobs.

It owns the majority of the stock of the Foundation Co., Ltd., of England, which has accumulated large surpluses which have not as yet been drawn on by the parent company. **In view of its large volume of assured business for next year, an increase in the dividend rate would not be surprising. As it is, the yield is quite high, and the outlook excellent from a market standpoint because of the small amount of the stock outstanding.—M. G.**

FROM Central Leather pfd., no dividend, Price 42,
INTO Texas Co. common, Div. $3, Price 42

As in the preceding case, this recommendation is not based upon the notion that *Central Leather preferred* will sell indefinitely at or below 42. The change is from a company with a poor recent past and a poor immediate outlook into a company with a brilliant record and a good earnings outlook, which presents in addition the possibility of increased dividend distributions in stock or cash.

Central Leather's weakness is especially pronounced in view of the fact that it was a moderately good earner before the war and participated in the exceptional profits of the industry from 1915 to 1919. Since 1920, however, it has failed to earn the cumulative 7% preferred dividend, showing $4.58 per share on the preferred last year, and deficits of 22 million dollars in 1920 and of 11 millions in 1922. At the present time, the outlook for leather companies is poor, as they are squeezed in between high prices for hides, on the one hand, and relatively low prices for finished leather and leather products on the other, which cannot be raised for some time because of intense selling resistance by dealers and consumers.

In the first quarter of the current year Central Leather earned about two-thirds

of its preferred dividends, but operated at a deficit again in the second quarter, while the current quarter also promises to show poor earnings. The ratio of current assets to liabilities is nearly 6 to 1, but three fourths of the current assets consist of inventory account, and the rest bears a ratio to the liabilities of only 1⅓ to 1. In addition, there is a profit and loss deficit of 5.4 millions to be removed before payments can be made on the preferred, apart from the 15¾% of dividends in arrears on the latter.

Texas Company, on the other hand, is one of the most powerful of the oil independents, and in volume of sales, earning power, size and diversity of property account, it compares favorably with any of the Standard Oil companies. In the last ten years, it has earned the equivalent of $20.30 a share on the old stock of $100 par, now split up into shares of $25 par. The 164 millions of the latter outstanding constitute its entire capitalization except for a 3-million issue of serial notes, the last of which matures in 1927.

Even during the depression of 1921 it earned $6.17 a share on the old stock, and recovered to $16.17 a share in 1922. Its current assets are eight times the current liabilities, and, apart from inventories, it has 14 millions in cash and 18 millions in receivables against 15 millions of current liabilities. The surplus amounts to 94 millions, indicating the possibility of a stock dividend some time in the future with continued good earnings.

At current prices the yield is much higher than can be obtained from any other oil stock in its class, and its high earning power indicates the possibility of additional distributions in time.—F. K.

FROM Pressed Steel Car Company, no dividend, Price 56, INTO White Motor Company, dividend $4, Price 49

The holder of Pressed Steel Car Company stock has no doubt been enviously watching the good fortune of the shareholders of other equipment companies, who have continued or increased disbursements to their stockholders and whose securities are selling at high levels. All he has been able to get out of his commitment is the hope that the stock has reached bottom, although quotations for his specialty continue to sink, and that some day he will see daylight; perhaps a profit.

Far be it from the writer to intimate that the stock will not sell at higher prices, but the facts are that while the car-building companies have experienced the most prosperous period in their history, Pressed Steel Car Company reported an operating deficit of $810,000 in 1922. Other income of $868,918 was shown in the annual statement, but as approximately $580,000 of this consisted of sundry adjustments and transfer of miscellaneous accounts, the additional income did not seem very impressive. If this bookkeeping transaction were ignored the loss for the year after depreciation was over $920,000. In the meantime, the company found it necessary to sell $6,000,000 convertible 5% bonds, adding further to the anguish of the stockholder, who has not received any return on his investment for over two years.

What should he do? Of course, 1923 may prove a better year. The railroad companies have placed large car orders, and this has been reflected in high prices for equipment stocks generally, but the action of Pressed Steel Car shares in the market does not lend encouragement to any feeling that the company will be able to show phenomenal results.

So far, following the wish that was father to the thought, has only brought loss. Why not try another tack? There are other companies who are showing good profits, who pay dividends on their stock and whose outlook is encouraging. Pressed Steel Car shares are selling around 56. Why not switch into White Motor Company stock, which is selling around 49 and paying dividends at the rate of $4 per annum? Last year this company's net income was approximately $3,770,000, equal to over $7.50 a share, and reports for the first half of the current year indicate the highest net earnings in its history for any corresponding period. There is nothing on the horizon suggesting any probability of a let-up in the demand for the company's products. On the contrary, in addition to the regular commercial demand, there is a constantly increasing call for motor busses from public utility and other companies to supplement trolley and interurban service.

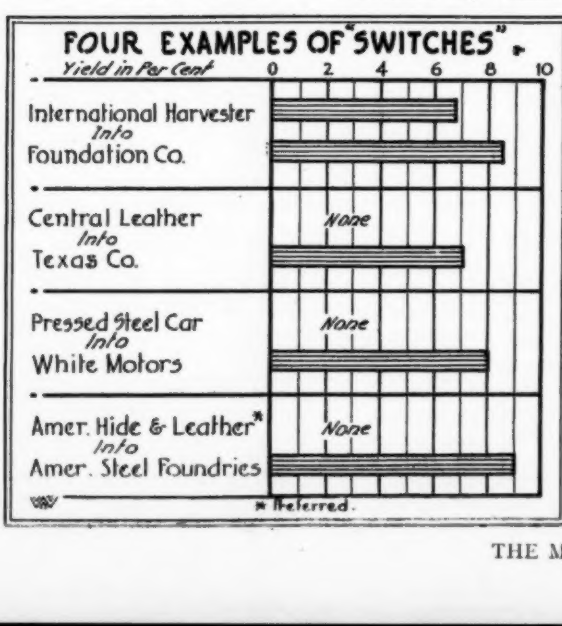
A comparison of the capitalization of the two companies shows Pressed Steel Car has outstanding a total funded debt of $8,723,000, including obligations of subsidiaries, $12,500,000 7% non-cumulative preferred and a like amount of common stock, making a total capitalization of $33,723,000. White Motor Company has outstanding $25,000,000 capital stock of $50 par value. As of December 31, 1922, the Pressed Steel Car Company's working capital stood at approximately $7,000,000, as against $16,500,000 for the White Motor Company. The latter has not only been more successful in its operations on its lower capitalization, but is in a much stronger financial condition. **It would seem a holder of Pressed Steel Car would better his position by selling his stock, which brings him in no return, replacing it with White Motor shares at a lower price and yielding over 8% on his investment. He would also hold a stock which, judging by the past history of the two companies in their respective fields, has fundamentally better prospects.—L. A. D.**

FROM American Hide & Leather preferred, no dividend, Price 42, INTO American Steel Foundries, dividend $3, Price 34

Another instance where a holder could make a profitable switch would be to exchange American Hide & Leather Company preferred stock, selling at 36 and paying no dividends, for American Steel Foundries common stock, selling at around 34 and paying $3.00 per annum. American Hide & Leather preferred is entitled to cumulative dividends at the rate of 7% per annum. As a result, the accumulated arrears to July 1st amounted to 130¼%. No further comment is necessary as to the earning power of the company. During the 24 years it has been in existence, a total of only 37¾% has been paid on the preferred shares. It was only by reason of abnormal earnings during the recent war period that this record of payments was attained. With the exception of 3%, disbursements were made from September, 1916, to January, 1921. Working capital at the end of 1922 was approximately $7,000,000 but included in assets were $7.5 million inventories, which have depreciated in price since the first of the year. The deficit for the first half of 1923 was over $307,000. The company specializes in the manufacture of upper leathers for all kinds of shoes. The diminution in the demand for this character of leather is apparent even to the man in the street, if he stops to consider the universal popularity of the low cut or oxford style of shoes and the minimum amount of this grade of leather now being used, especially for women's footwear.

With such a poor earning record in the past, there does not appear to be any good reason why a holder of the stock should continue to pin his faith on hope that, in some way, at some time, it will return to previous high levels. The market history of such stocks as International Mercantile Marine preferred, American International Corporation, New York, New Haven & Hartford and this same American Hide & Leather preferred

(*Please turn to page 865*)



Chicago Pneumatic Tool Company

Will Pneumatic Tool Raise Dividend?

Is Another Dividend Increase Due?—Remarkable Strength of Company's Financial Position

By HENRY FRANKLIN

THERE are some corporations whose activities infrequently receive a public airing and whose securities are seldom the object of concentrated attention. Such a one is the Chicago Pneumatic Tool Company, which has an interesting history, is very prominent in the industry which it represents, and yet the outside interest in its shares is apparently small.

One of the most interesting features concerning Chicago Pneumatic Tool Company, and perhaps one of the most vital, is the interest in the company of Charles M. Schwab. It is generally supposed that Mr. Schwab and associates have practical control of the corporation, and supervise policies. So far as is known the Bethlehem Steel Corporation has no official connection with Chicago Pneumatic Tool Company, and the interest of Mr. Schwab therefore appears to be a personal one.

CHICAGO PNEUMATIC TOOL

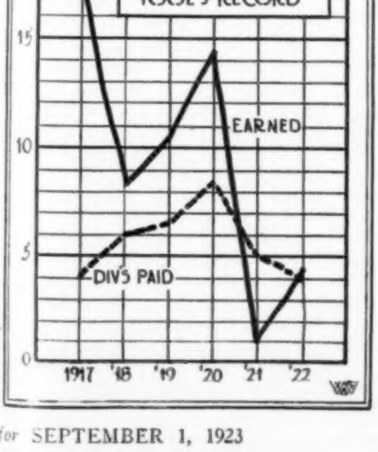
	Operating Income	Net Income	Dividends	Surplus	Range of Stock High	Range of Stock Low
1916	$1,577,980	$953,422	$257,952	$695,470	79	64
1917	2,006,372	1,169,390	257,952	911,438	78	39½
1918	2,155,625	535,834	386,928	148,900	71¼	47½
1919	2,675,965	665,401	419,172	246,229	113½	68
1920	2,346,609	1,679,277	938,520	740,757	111⅞	60
1921	507,029	118,364	617,651	*499,287	70¼	47
1922	609,097	505,818	474,818	31,000	89⅝	60

* Deficit.

History of Company

Chicago Pneumatic Tool Company was incorporated in 1901, and for many years succeeding, the stock found its principal market in Chicago. It was not listed on the New York Stock Exchange until June, 1918, at a time when earnings, while fairly good, were on the down grade from the peak of war business.

At the present time the company owns and operates six plants, three in the United States and one each in Canada, Scotland and Germany. The German plant, located in Berlin, was returned intact after the war, although there is no evidence to show that profits have been accruing from its operations during the past few-years.



The plants in this country are owned outright, while the foreign plants are held under long-term leases. The principal products are air compressors, pneumatic drills and other tools, fuel oil engines and other appliances. In 1911, the company went in for production of commercial trucks and railway motor cars. This end of the business was discontinued in 1919, having proved unprofitable and a burden rather than an asset. Just how much the experience cost is not known, but the determination to concentrate on the regular line of products has been considered to be in favor of the company. Prior to the war domestic business came almost solely from the railroads, but the gradual decline in their purchasing power made necessary the development of new fields which were found among industrial manufacturing plants. The result was that the largest percentage of the demand for the output of Chicago Pneumatic Tool during the past few years has come from the manufacturing centers east of the Mississippi.

The company has extensive facilities for doing a foreign business but last year a net loss was incurred in this end, and, in view of the failure of European buying power to recover, it does not seem conservative to expect any substantial income from that source this year. In other words, the foreign end of the business must be treated as a prospective rather than an actual asset insofar as direct income is concerned.

As is well known, the buying power of the railroads has gradually increased during the past year and a half, and Chicago Pneumatic Tool has been in the position of seeing old customers return as well as continuing to hold new customers among the manufacturers. In the early part of this year business was said to be the heaviest on record excepting during the war years. This improvement began to become manifest during the spring and early summer of 1922. In the year ended December 31, 1922, earnings were equal to $4.26 a share on the outstanding capital stock. While no official figures are available it has been stated that earnings have been running well above the dividend rate of $5 per share since the first of the year.

The company is in a comfortable working capital position and last spring was lending money. In fact, at no time during the war inflation or the post-war deflation did Chicago Pneumatic Tool lapse into a position where balance-sheet condition appeared to be strained. Naturally there was a time when notes payable were up and inventories were expanded, but not to an alarming extent.

Capital structure is simplicity itself, consisting of $11,381,900 capital stock, having a par value of $100. There is no preferred stock, no funded debt, and the only mortgage obligation is one of $329,000 placed upon the New York City office building.

The capital stock was doubled in 1919 by the offer of additional stock to shareholders for subscription at par. This doubling of capital stock means of course that net earnings have got to be measured by a different rule than before the war. The earnings record has been pretty fair and not unstable. In the five years 1913 to 1917, a total of $56 was earned on the then outstanding common stock, and dividends of $20 were declared in that period, leaving an accretion for surplus of almost $2,500,000.

During that period net income ranged from $300,000 to $1,000,000. Then came the peak of war prosperity, followed by the slump, but even in 1921 Chicago Pneumatic Tool Company managed to show a net income of $118,000 and used surplus to the extent of $500,000 to continue the dividend rate of 5%. In the period from 1913 to 1922, inclusive, this is the only time the company was forced to dip into surplus to cover payments to shareholders, and it is worth noting that in every one of these years stockholders

(*Please turn to page 866*)

Two Leading Chain Groceries Compared

Factors of Success in the Grocery Chain Business —An Analytical Comparison of Business Progress As Measured by Sales, Turnover and Profits

By MARTIN GOLDEN

THE chain-store principle in merchandising has in the past been enormously successful in the United States. Its progress has been marked by increasing gross and net earnings of the chain systems, and by their expansion through the absorption of existing stores and the opening of new ones. Since the war, however, not all chain stores have fared alike. Some have suffered great losses from which they have not yet fully recovered, while others have continued their growth comparatively undisturbed. In view of the large profits which chain stores have made for investors in the past, it is an interesting question if some of these which have been badly hit are in position to "come back" strongly in the near future.

Important Factors

There are certain well-established guides to the money-making power of any merchandising concern, some of which are shown in the attached figures. The rate of turnover of merchandise is a very important factor. It is measured by dividing inventory account into sales for the year; the smaller the percentage, the faster the rate of turnover, and the larger profits for the year. Where the rate of turnover is very rapid, the margin of profit per unit, measured by the percentage of gross profits to sales, does not have to be large to provide a satisfactory total profit, so that there is an intimate connection between rate of turnover and margin of profit. The sales per store are another indication of the efficiency of management, although it is probably true of most chains that the more they expand, the less and less desirable each new location becomes, because the best ones are utilized first.

With these tests of efficiency in mind, the comparison of two of the listed grocery chain systems, Jewel Tea and Jones Tea, indicates important differences in their methods and their efficiency. Jewel has much the slower rate of turnover, and while both companies made a poorer showing in 1922 after steady improvement for the three preceding years, Jones slipped back relatively little while Jewel went back considerably more.

Comparing the margins of profit is a little more difficult, because the Jewel system lost money both in 1919 and in 1920. The poor showing in the prosperous years, 1919 and 1922, and the fact that 1922 was less than 1921, reflect unfavorably on Jewel's earning power. Jones, however, has shown a pretty consistent margin of profit since 1920, and the smaller margin compared with 1919 is to be explained by the more rapid turnover.

JEWEL AND JONES BROS. TEA COMPARED

	Jewel	Jones
Common stock	$12,000,000	$10,000,000
Preferred stock	3,640,000	3,840,000
Sales, 1922	10,240,810	24,203,540
Inventory, Dec. 31, 1922	2,227,214	3,735,181
No. of stores	1,000	493
Earned per share, 1922—		
Common	....	2.84
Preferred	4.18	16.38
Dividend Rate—		
Common	....	4.00
Preferred	....	7.00
Price of Common	18	58

Jewel's System of Distribution by Wagons

A word of explanation should be added with reference to sales per store. Jewel's sales methods consist of sales direct to the consumer through a system of wagons used as central distributing points on well-defined routes, with appropriate warehouses and branches. Jones, on the other hand, operates stores and employs some 2,000 direct salesmen. Both concerns do a large part of their own importing, blending, roasting, etc.

Bearing this in mind, it will be seen that Jewel's business has remained fairly stable, with no signs of remarkable growth or decline, since 1919. Jones, on the other hand, has been exhibiting a continuous decline in sales per store for the past four years. To some extent this is to be accounted for by the necessity of choosing less and less desirable locations, as mentioned above, but the rapidity of the decline is none the less an unfavorable trade indication.

Net Result

The net result of these factors, as summed up in the earnings per share, gives the preference distinctly to Jones.

ANALYSIS OF BUSINESS PROGRESS OF JEWEL AND JONES TEA

	Jewel	Jones
Rate of Turnover, in %—		
1919	32.7	19.7
1920	22.3	16.2
1921	15.2	15.0
1922	21.8	15.4
Margin of Profit, in %—		
1919	7.7	3.2
1920	10.2	2.5
1921	2.5	2.6
1922	1.0	2.6
Sales Per Store, in Dollars—		
1919	9,874	65,579
1920	10,805	58,919
1921	10,728	53,650
1922	10,280	49,094
Earnings Per Share of Common, in Dollars—		
1919	Def.	2.15
1920	Def.	0.85
1921	0.59	1.42
1922	Def.	2.84

However, it is difficult to see where even the latter is to maintain the present $4 dividend rate, on the basis of past earnings, unless the current high rate of sales is maintained and no losses have to be taken on inventory. The earnings figures for Jones given here make allowance for the preferred stock sinking fund required by the provisions of the senior issue, providing for the retirement each year of 2% of the preferred originally issued, on the basis of which $160,000 worth has already been retired.

Jones Financed Practically Out of Own Resources

Jones has been the more aggressive of the two chains, having added persistently to its holdings of store locations since it was founded as a single store in 1872. It has been financed practically out of earnings, the appeal to outside capital having been reduced to a minimum. So far this year it has absorbed, in addition to the 493 stores which it owned at the end of last year, the Progressive Grocery Stores, operating 62 stores in the vicinity of New York, with a business last year of over 3 millions. Negotiations are under way now for the absorption of another small chain of stores, and eventually, perhaps, for a merger with one or more of the larger grocery chain systems of the country.

Jewel Tea's development has not been so uniform nor so fortunate. Not only was the company hard hit by the inventory depreciation that set in in 1920, but in the following year it was found desirable to abandon two of its four plants, in New Orleans and in San Francisco, because they had been unprofitable for a long time. The two big strikes of last year cut down the company's sales considerably, as it could not grant credit to strikers like the competing small independent grocer.

The current outlook for both companies is favorable, both reporting sales at the highest level in their history. Jewel's sales in the early part of this year have been at the rate of about 12.3 millions, or over 20% in excess of last year's. Jones Bros. reports sales for the first six months of 9.4 millions, or 9.5% above last year's figures for the same time.

Difference in Financial Position

In spite of the general resemblance between the financial structures of the two companies, there is a great difference between them from the standpoint of financial position. While the ratio of current assets to current liabilities is roughly 2 to 1 for both companies, inventories constitute ¾ of Jewel's current assets and less than ⅔ of those of Jones Bros. Where Jones has a total surplus and reserves of 1.2 millions, Jewel has a profit and loss deficit of over a million dollars. While this situation may be corrected to some extent by an unusually profitable year, such as 1923 bids fair to be, it nevertheless holds forth the danger of a reorganization in the event of a continued run of bad luck such as the company had from 1919 to 1922.

Jones Bros., on the other hand, is better fortified against business contingencies, but appears to have embarked on a dividend policy which cannot be called conservative, in view of the fact that the company has not proven, on the basis of its record, its ability to maintain payments at their present rate. The initial dividend rate of $2 annually was inaugurated in 1917, and maintained at this level until it was passed in 1921, to conserve working capital and aid in expansion. It was resumed at the $4 rate last October.

Conclusion

From a consideration of all the above factors, Jewel Tea at 18 would seem to be a more than usually hazardous speculation, with little attraction at the present time. Jones Bros. Tea occupies a higher level, as it undoubtedly can pay a dividend of some kind year in and year out. In view of the fact, however, that the new dividend rate is quite unseasoned, and that further distributions do not seem likely in the immediate future, we do not find it attractive at 58, yielding 6.9%, or less than Westinghouse, American Woolen or Endicott-Johnson.

Preferred Stocks

Very Little Interest—Speculative Rails Higher

THERE was very little interest in the preferred share market. The advance in quotations for common stocks resulted in a firmer tone for the good preferred shares. American Sugar Refining was up a point and American Ice gained two points on a single sale.

In the middle-grade division, Armour & Co. of Delaware responded to the favorable earning statement for the first half of the year with an advance of three points. United States Rubber was hammered down to 88¼ on rumors diligently circulated by the bears of the probable passing of the dividend, but recovered just as quickly to over 97 when these rumors proved unfounded.

The speculative railroad stocks were consistently strong. Southern Railway preferred was up two points and Kansas City Southern, St. Louis & Southwestern and Missouri, Kansas & Texas gained three. The Erie stocks especially distinguished themselves, the first preferred climbing five points to 22⅞, a new high record for the year.

PREFERRED STOCK GUIDE

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
Sound Investments				
INDUSTRIALS:				
American Sugar Refining Co............(c.)...	7	101½	6.9	2.4
American Can Co.......................(c.)...	7	108	6.5	2.1
American Ice Company...............(n.c.)...	6	82	7.3	2.2
American Woolen Co...................(c.)...	7	101½	6.9	2.5
Allied Chemical & Dye Corp...........(c.)...	7	105¼	6.6	(x) 4.5
Baldwin Locomotive Works...........(c.)...	7	113	6.2	4.4
Cluett-Peabody & Co..................(c.)...	7	101	6.9	4.7
Endicott-Johnson Corp................(c.)...	7	115	6.1	4.0
General Motors Corp. deb.............(c.)...	7	97	7.2	(y) 5.1
Kelly-Springfield Tire Co..............(c.)...	6	80	7.5	12.5
Loose-Wiles Biscuit Co. 1st...........(c.)...	7	106	6.6	2.2
Standard Milling Co.................(n.c.)...	6	89	6.7	4.3
PUBLIC UTILITIES:				
North American Co....................(c.)...	3	44	7.0	(w) 6.9
Philadelphia Company.................(c.)...	3	43	7.0	5.6
RAILROADS:				
Bangor & Aroostook...................(c.)...	7	87	8.0	2.5
Chesapeake & Ohio conv...............(c.)...	6.50	98	6.7	4.9
Colorado & Southern 1st............(n.c.)...	4	50	8.0	6.2
Middle-Grade Investments				
INDUSTRIALS:				
Armour & Co. of Del...................(c.)...	7	89	8.1	(z)2.9*
American Steel Foundries.............(c.)...	7	99¼	7.1	5.0
Allis-Chalmers Mfg. Co...............(c.)...	7	90	7.7	2.8
American Smelting & Ref. Co..........(c.)...	7	96	7.3	1.7
Associated Dry Goods Co. 1st.........(c.)...	6	84½	7.1	3.0
Brown Shoe Co........................(c.)...	7	92½	7.5	2.2
Bethlehem Steel Corp. conv...........(c.)...	8	103	7.6	3.8
Bush Terminal Buildings Co...........(c.)...	7	90	7.7	1.1
Coca-Cola Co. ....(c.)...	7	93½	7.5	(x) 5.1
Cuban-American Sugar Co..............(c.)...	7	95	7.3	6.4
Genl. American Tank Car Corp.........(c.)...	7	96¾	7.2	5.4
General Baking Co....................(c.)...	8	108½	7.4	(x) 3.8
Gimbel Brothers, Inc.................(c.)...	7	98	7.2	3.3
J. Kayser & Co.......................(c.)...	8	96	8.2	2.0
Natl. Cloak & Suit Co................(c.)...	7	93	7.6	...
Sears-Roebuck & Co...................(c.)...	7	106½	6.6	12.6
U. S. Industrial Alcohol Co..........(c.)...	7	96	7.3	6.4
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st......(c.)...	7	90½	7.7	(x) 2.2
Public Service of N. J...............(c.)...	8	99¾	8.0	(y) 3.4
RAILROADS:				
Baltimore & Ohio...................(n.c.)...	4	58	6.9	...
Colorado & Southern 2nd pfd........(n.c.)...	4	48	8.3	5.8
Pittsburgh & W. Va...................(c.)...	6	89	6.7	2.0
Semi-Speculative Investments				
INDUSTRIALS:				
American Beet Sugar Co.............(n.c.)...	6	66	9.1	1.3
California Petroleum partic. pfd.....(c.)...	7	98½	7.1	1.3
Famous Players-Lasky Corp............(c.)...	8	90	8.9	(y) 5.7
Fisher Body Corp. of Ohio............(c.)...	8	98½	8.1	...
Mack Trucks, Inc., 1st...............(c.)...	7	93½	7.5	(y) 2.8
Orpheum Circuit......................(c.)...	8	91	8.8	(w) 2.5
National Department Stores...........(c.)...	7	91	7.7	4.0
Pure Oil Co. conv. pfd...............(c.)...	8	88	9.1	3.5
Worthington Pump & Mfg. "A"..........(c.)...	7	81	8.5	2.0
PUBLIC UTILITIES:				
Market Street Railway prior pfd......(c.)...	6	66½	9.0	1.4
RAILROADS:				
Kansas City Southern...............(n.c.)...	4	53	7.5	1.5
Pere Marquette.......................(c.)...	5	60	8.3	2.2
St. Louis Southwestern.............(n.c.)...	5	58¾	8.5	1.7
Southern Railway...................(n.c.)...	5	67¾	7.4	1.7

(c.) Cumulative. (n.c.) Non-cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.
† Average number times earned last five years.

Allied Chemical & Dye Corporation

A Stock Market Conundrum

The Question of the Youngstown Sheet & Tube Litigation—What Is the Common Stock Worth?

By JOHN MORROW

JUST at the present time interest in the affairs of Allied Chemical & Dye Corporation has been diverted from the consideration of the company's own business to the consideration of litigation which it has entered into over the acquisition of the Steel & Tube Company of America by the Youngstown Sheet & Tube Company. It seems that Allied Chemical & Dye sometime since acquired an interest in the common stock of Steel & Tube of America. It is understood that Allied Chemical believes that these shares should be taken into the Youngstown Sheet merger at a value nearer $40 a share than $15.

Should Allied Chemical receive only $15 a share, the company would stand to suffer a loss of perhaps $4,000,000, but it would be in the nature of a "bookkeeping" loss. The story of the litigation is sketched here because it has had an effect upon the market position of Allied Chemical common. Thus far the Allied Chemical management has been unsuccessful in its attempts to stop the merger of the two steel companies.

RANGE OF COMMON SHARES

	High	Low
1920	62⅛	43¼
1921	59¼	34
1922	91¼	55⅜
1923	*60	59¼

* To August 15th.

Composition of the Corporation

Allied Chemical is comparatively a new company, being less than three years old, but four of the five companies which make up the corporation are old established concerns in their lines. They are General Chemical Company, The Barrett Company, The Semet-Solvay Company and the Solvay Process Company. The fifth company is the National Aniline & Chemical Company. This last-named corporation really owes its existence to the war and to the opportunity which the American dye manufacturers received as a result of the dislocation of the industry on the Continent. The Barrett Company is one of the best-known manufacturers of coal-tar products in the country and is pre-eminent in the roofing and road-paving lines. Incidentally, both of these have been active over the past year or more, and it is assumed that the Barrett Company has been enjoying good earnings.

In considering the status of Allied Chemical inquiry generally concentrates upon that component part which was the National Aniline & Chemical Company. Observers take for granted the success and the stability of General Chemical, Barrett Company, etc., and know that concerns like them will contribute their full shares year in and year out to the success of the whole. Without inferring criticism it may be said that National Aniline & Chemical was perhaps in the nature of an experiment.

That in pre-war years Germany was dominant in the production of dyes is a widely known fact, and the determined entrance of American manufacturers into the field was courageous, but is it yet convincing? European competition has not been restored to the point where it is a disturbing factor, although undoubtedly it is a larger factor than it was at this time two years ago. It is not altogether fair, however, to come to any conclusions about the success of American manufacturers in establishing themselves securely and permanently. There has been a vast amount of development work to do, a large amount of experimentation, of trying this and trying that, of improving the quality of the dye and in extending the scope of colors made.

The formation of Allied Chemical & Dye rather caught the popular speculative fancy. The activities of the corporation appealed to the imagination as well as to the knowledge of the enduring earning power of companies like General Chemical and the Barrett Company. From the start it was held that Allied Chemical & Dye common was rightfully a $6 stock, that is, that its earning power would warrant the establishment of dividends at the rate of $6 a year, and many shareholders of the companies which went to make up Allied Chemical & Dye exchanged their shares under the impression that they would receive dividends at the rate of $6. In this they have been disappointed. Allied Chemical & Dye has not been able to pay more than $4 upon the common stock, and yet in 1922, when bullish speculation was at its height, the junior shares marched up to 91¼, and the only speculative gossip that accompanied the rise, beyond the fact that earnings were good, was the prediction that a dividend increase from $4 to $6 was just around the corner. It is still around the corner.

When the report for the year ended December 31, 1922, was published it was noted that Allied Chemical & Dye had earned $5.75 a share as compared with $2.64 a share in 1921. In other words, in the two full years of present corporate existence total earnings upon the common stock have been $8.39. The initial dividend on the common stock was paid in May, 1921. Admittedly earnings for last year were somewhat below expectations, but a strong feature of the company was the financial position. The net working capital at the end of 1922 totalled $72,000,000. Total current liabilities were $14,000,000, as against $55,000,000 cash and marketable securities. It is understood that most of the marketable securities were United States government obligations. There is no doubt that the balance sheet was a very strong document, but the disappointment over earnings persisted and naturally has been accentuated by general stock-market conditions.

Conclusion

Allied Chemical has no funded debt. A total of $39,000,000 of 7% cumulative preferred precedes the common stock, and divdends upon this preferred have been paid regularly since the organization of the corporation. Not yet is the stock regarded as absolutely a conservative investment, perhaps because it lacks a little seasoning, but in the neighborhood of 106, where the shares are now selling, they appear to be very attractive. They are very strongly protected by assets and equities and by every other test, including earnings.

In view of the effect which litigation is likely to have upon a speculative stock, and in view of the several disappointments suffered because the dividend rate has not been increased to $6, the common, barring the unexpected, promises to have rather a narrow range. As a stock paying $4, and having paid that since early in 1921, it perhaps should sell from 60 to 67, or thereabouts. **At 60 or below it represents a worthy speculation, but it is not a stock for which, in the opinion of the writer, it is desirable to climb.**

ALLIED CHEMICAL & DYE CORPORATION

	Gross Income	Net Income	Total Divs.	Surplus	Wkg. Capital
1921	$13,093,890	$8,420,320	$11,356,835	*$2,936,511	$65,171,000
1922	17,280,368	15,114,900	11,345,699	3,769,256	72,500,889

* Deficit.

Which Will Win in Race for Profits?

Two Dividend Candidates—Effects of the Tariff

By RUDOLPH L. WEISSMAN

HOW far are Cuban-American and American Beet Sugar representative of the "average sugar producer," which like that other illusive abstraction, the ideal, has no actual existence?

American Beet Sugar was for years able to do little more than meet the preferred dividend requirements. Although formed in 1899, disbursements on the common stock were not commenced until 1916, only to be omitted in the period, 1913-15, under pressure of adverse tariff legislation. What strikes one is the absence of any change in the company's capitalization either in the ensuing years of affluence or in the more recent seasons of critical depression.

American Beet an Exception

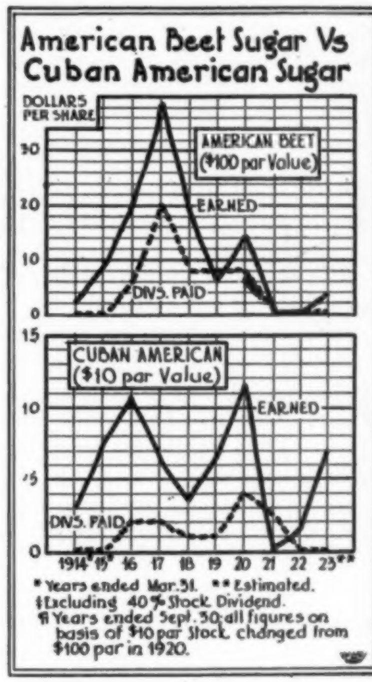
Run down the list of sugar, or any other companies, and you will soon learn that the corporations whose capital liabilities are now as small as in 1914 are few and far between. The effect was clearly visible in the showing for the fiscal period ending March 31, 1923. With gross receipts shrinking from $9,231,510 to $5,656,794, net income was equal to almost three times the dividends on the senior stock and almost 4 per cent on the 50,000 shares of common. The balance sheet made pleasant reading. Current liabilities were but $433,774 against $3,066,438 in the previous year and were less than one tenth of the current resources.

The chief reason for the improvement is the comparatively low capitalization. On an output of 1,500,000 bags, the capitalization is only about $13 per unit of production, whereas $15 is considered a fairly low capitalization ratio. Normally, profits of 75 cents per bag of 100 pounds are not considered excessive. Net profits of $750,000 mean a handsome surplus for American Beet Sugar common. Costs differ in no great degree from the average set by the Tariff Commission. Prices and the tariff will largely determine the future. We are more sanguine of the former, for the Cuban production for 1923 is well below recent estimates. In the political field, sugar is apparently the new schedule "K" and predictions would mean an entrance into a much debated field. With the common hovering at the 1920 "low" the risk is hardly awe-inspiring.

Cuban-American Efficient

Cuban-American has long been known as one of the most efficient cane producers. Its market strength has been the subject of much comment, as the stock did not yield nearly as much as other sugar issues in the decline of the last few months. The income account for the fiscal period ending September 30 next will not be published for some time, but the general results should be available before long.

An extended discussion of the financial position based on figures almost a year old can hardly be profitable. It is understood that dividends of $4 annually could be paid without serious impairment of the company's position, but Cuban-American is credited with being one of the largest holders of raw sugar in Cuba, which is a retarding factor. Organized on a conservative basis, Cuban-American, in 1919, was in a position to produce two million bags of sugar on a capitalization of only $8 a bag. This indicated that even an exceedingly small margin of profit would mean substantial profits per share. In 1921, however, $9,035,000 in 8% bonds were issued to tide the company over the acute financial strain. Now, therefore, the ratio of production to the outstanding capitalization is almost identical with American Beet Sugar, $13 a bag.



With only occasional exceptions, the Cuban company's operating ratio has been lower than that of its American competitor, enabling it to make a better showing, other things being equal.

CUBAN-AMERICAN SUGAR AND AMERICAN BEET SUGAR COMPARED

(Last Three Figures Omitted)

	Gross Receipts	Costs	Ratio Costs to Sales
Cuban-American—			
*1922	$23,949	$20,731	86.6%
1921	19,449	25,029	128.7%
1920	90,418	70,461	77.9%
1919	49,324	37,721	76.5%
1918	38,251	29,840	78.0%
1917	38,653	29,523	76.3%
1916	26,320	17,718	67.3%
1915	22,502	16,156	71.8%
1914	14,808	11,113	75.0%
1913	15,045	14,120	93.8%
American Beet Sugar—			
1923	$5,656	$5,078	88.0%
†1922	9,231	11,389	123.38%
1921	11,549	11,135	96.41%
1920	13,575	11,533	84.96%
1919	7,471	6,731	90.09%
1918	12,584	10,117	80.39%
1917	14,971	9,268	61.91%
1916	10,479	7,519	71.76%
1915	8,304	6,877	82.82%
1914	8,083	7,566	93.60%
1913	6,217	5,442	87.52%

* Fiscal years ending Sept. 30. † Fiscal years ending March 31.

Conclusion

On a cost basis, Cuban-American is to be favored. Remove American Beet's protection and it may cut a sorry figure, although the Trade Commission was compelled to remark: "It follows that changes in the tariff, or its abolition, would merely determine that a greater or less percentage of the domestic competitors could survive. It is not a question of maintaining or sacrificing the industry as a whole." **As for the immediate future, American Beet Sugar's strengthened financial status should aid the stock in giving a good account of itself, but in the long run Cuban-American is likely to prove somewhat the faster in an interesting race for profits and dividends.**

BUILDING YOUR FUTURE INCOME
A Department for the Man with His First Five Hundred Dollars

Half-Truths

By RALPH RUSHMORE

THE number of people who make a miserable failure of their security operations is admittedly large.

Almost as large is the number of reasons to which these failures are ascribed.

Of all the reasons, the one least often advanced is the one which would seem the most generally applicable. It is the tendency of financial professionals to deal in half-truths, and the tendency of the investing public to accept such half-truths at their face-value.

By "half-truths," we mean the sort of argument biassed parties so frequently advance in their efforts to market security offerings; or the kind of statement biassed persons so frequently make when referring to different phases of security-dealings.

Perhaps if we cite a few typical examples, the point will become more clear:

EXAMPLE I—"Real Estate bonds are the safest investment of all because they are backed by the most enduring thing in the world—land."

All true enough in one sense, this. Land *is* supremely enduring. Not true enough in an equally important sense, however; for the enduring qualities of the physical security of a bond are not all the bond needs to become safe. In addition, the security must be continuingly *productive* in the field in which it exists. And land, of coursely is not supremely and endlessly productive.

A fuller truth might be: "Real Estate bonds are one of the safest forms of investment in respect of the enduring qualities of the security behind them, where that security is largely land, and not too largely buildings erected upon the land. But the income-producing qualities of different strips of land, equipped with different types of buildings, and put to different kinds of use, vary; also, the relation between the market value of the land and the total par value of a bond issue varies. With these factors, the safety element in individual mortgage bonds varies in like proportion.

Not knowing—or not thinking—of this "other half of the truth" it would be easy enough for an investor to go astray.

EXAMPLE II—"Municipal bonds are the safest investment of all because they are secured by the taxing powers of the issuing state, city, village or town."

Very true, as a general hypothesis. Not always true in actual cases.

In the first place, the taxing powers of a city or town in respect of a given bond issue are not always unlimited; and where a limit exists, taxing powers are similarly limited as security for the given bond. In the second place, even assuming an unlimited tax power, the necessity of resorting to special assessments under it, were that to eventuate, would not reflect to the advantage of bondholders; the community's credit would be said to have weakened, and so would the investment status of the bond. In the third place, this same taxing power does not prevent municipal issues from fluctuating, at times violently, in the open market; and violent fluctuations are not attributes of "safest investments."

The more complete truth might be. "Municipal bonds, where the tax requirements of the issuing community in respect of them are legally enforceable, are one of the safest investments, providing the credit of an issuing community has not been unduly strained; provided, too, that the buyer of a municipal intends to hold same to maturity and need not be affected, therefore, by intermediate fluctuations.

EXAMPLE III—(A circular, to this general effect) "The Radio industry is the infant industry of this generation. Fortunes were made from commitments in the industries of previous generations. Ergo, the enterprising investor of today will buy radio stocks."

Certainly, the radio industry is the infant industry of today; just as certainly, it is still in its swaddling clothes. Furthermore, fortunes *were*

truly made from commitments in the infant industries of previous days. But the other half of the truth should be aded, viz.:

In large measure, profitable commitments in the infant industries of previous generations were confined to a few insiders, while a large percentage of the *public's* commitments (cf., the first big automobile consolidation, the first big moving picture consolidation, etc., etc.) resulted in heavy losses. The infancy of the industry in which it was engaged has never yet proven a guarantee of the success of any individual company.

Knowing these things, enterprising investors are *not* buying radio stocks, indiscriminately, just because they are radio stocks. On the contrary, they are discriminating in favor of the one or two issues which they believe merit some confidence; and they are diverting only a small portion of their investment funds to this account in the knowledge that, from an investor's point of view, the future of even the strongest radio company is highly speculative.

EXAMPLE IV—(A paraphrase.) "If your money's in stocks, it's not safe; if it's in a bank, it's absolutely safe. Avoid stock market risks, and bank your funds."

This is more of a falsehood than a half-truth. For refutation of it, hear the actual case of "Mr. Smith" (so to name him) a reader of this magazine: Said Mr. Smith dealt in securities for several years with great success. Came a time when business affairs demanded all his attention and the stock account had to be closed up. Mr. Smith withdrew his money from the broker—put it in a neighboring bank. Very shortly afterwards, the bank failed.

Nearer to the whole truth: "No bank, honestly conducted by competent persons, supervised by active state and federal authority and bound by rigid laws, should ever fail, barring a catastrophe of proportions beyond its control. The risk assumed, therefore, in banking with such an institution is very nearly negligible. But all banks are not in this class; and it is, unfortunately, sometimes more of a chance to bank with a certain type of institution than it is to maintain a security account."

A bank account is relatively safer than a stock account, in that there is less likelihood that a bank will fail than that the individual operator of a stock account will suffer losses from his commitments. But that's about all you can say.

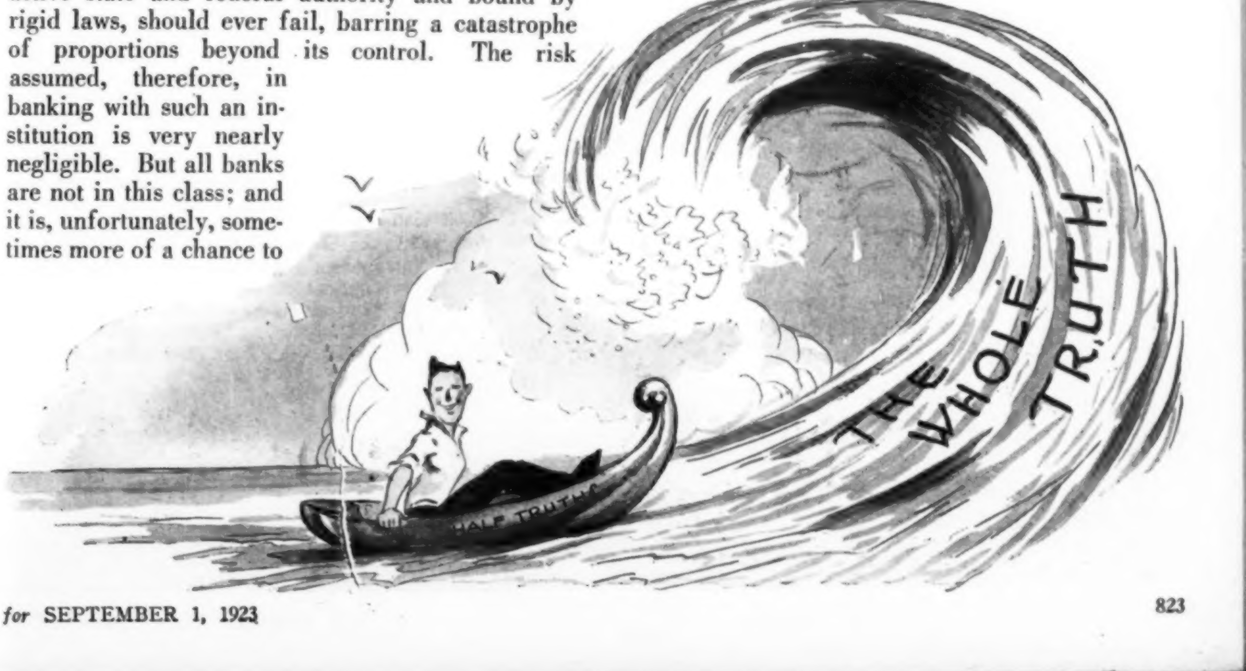
EXAMPLE V—(A famous one!) "Our property is but a few miles from the rich producing wells of the Sinclair Oil Co. or of the 'Standard Oil Co.' or the 'Texas Co.' or any of the others.)" By innuendo, the prospective investor concludes that this proximity is assurance of great and wealth-bringing results. Of course, the statement is a half-truth of the worst order.

Oil properties may be proven to be within a few yards of active production and still produce, themselves, nothing but dry holes and losses for the drillers.

Nearer to the whole truth: "Our properties are —miles from the wells of the ———— Company. This, however, is no assurance that we will locate oil there. In fact, the odds continue to be what they always are in the oil game—about 100 to 1 against. But the proximity of our lands to the acreage cited is what led us to locate there, and is the excuse we offer for inviting you to share the gamble with us."

EXAMPLE VI—(Often seen in italic type, at the bottom of advertising matter) "The above issue having all been sold, this advertisement appears as a matter of record only." Undoubtedly, when such a line appears, the issue referred to has been sold—

(Please turn to page 867)



If I Were Buying—or Building—a Home

6.—What Source I Would Get My Mortgage Money From

By Jason Thomas

This is the last of the series of six articles by Mr. Jason Thomas dealing with various phases of the home-owning problem. Earlier articles appeared in succeeding issues to date.

AFTER the intending home-owner has made a decision both as to the dwelling he wants and the amount of cash he is willing to put down, his next job is to find some organization—or some person—to help him in the actual financing. He will find that mortgage money can be secured from one of four kinds of sources: (1) from an individual; (2) from a bank; (3) from a building and loan association, and (4) from one of the numerous varieties of "home-financing" organizations which dot some sections of the country.

A Precaution Worth Taking

One precaution he can well afford to take before accepting the terms offered by any of these, irrespective of what may have been, or may be said, here or elsewhere: That is, to enlist legal aid in analyzing the terms.

Assuming that legal aid has been secured, however, and that the intending owner is thus equipped to protect his own best interests, the characteristics of the four sources referred to may be briefly outlined:

Procuring mortgage money directly from an individual has many of the disadvantages common to loaning mortgage money as an individual. It betokens a miscegenation of personal and business interest which experience has proven to be undesirable.

Procuring mortgage money from a specialized sort of home-financing organization, other than B. & L.'s or banks, opens a possibility of risk inherent to all organizations outside of the established money system.

The Bank Loan

Whether to procure one's mortgage borrowing from a banking organization, on the one hand, or a Building & Loan, on the other, depends on (1) the relative standing of the two institutions under consideration; (2) the preferences of the individual in respect of mortgage reduction.

If the money is obtained from the bank, it will probably be on a 5-year basis, with privilege of renewing at the end of the period upon an agreed on reduction in the principal sum. Sometimes the bank will agree to a mortgage on a periodic amortization basis—say, on a basis calling for the reduction of the principal by an agreed on sum every six months, or so—but generally the bank mortgage runs for a given period. If the mortgagee of a bank wishes to renew upon the expiration of such a mortgage, it will cost him a few dollars for the renewal papers.

The B. & L. Plan

Where the money is obtained from a Building & Loan Association, the practice generally is to require monthly payments at the rate of $10 per $1,000 borrowed, of which $5 is applied toward reduction of principal at the end of the first month, and of which a constantly increasing part is applied to the same purpose in the succeeding months, with interest payable monthly on the then unpaid balance.

The question of which to choose—the bank or the B. & L.—is not a very difficult one. The B. & L., where it is conducted by men of affairs in the community and men of proven integrity and reliability, is undoubtedly the best agency for the builder or buyer of small homes who (1) has trouble saving what he earns, or (2) has trouble earning enough to make the necessary savings. It is a few dollars cheaper, per $1,000 borrowed, than the ordinary bank route; it provides a longer period of time for liquidation of the entire debt than most banks would offer; the borrower pays a little bit each month, rather than a good deal every 6 months or rather than the whole thing at the end of 5 years.

Most Building & Loan Associations limit the amount they will loan on mortgage. (These are semi-philanthropic institutions like savings banks, and make no effort to cater to builders of expensive dwellings.) Hence, not every intending home-owner can make use of them. As said above, however, for the builder of medium homes, they are the logical agency to use.

And so we complete the last of this series of little talks to intending home-owners, in which an effort has been made to show (1) How to decide where to locate your home; (2) What precautions you should take as regards "improvements"; (3) How to decide what the home will be worth; (4) What to look out for, in the matter of "easy terms"; (5) How much mortgage money you should borrow; and (6) What source it would be best to obtain your mortgage money from.

The writer has entertained no illusions, since beginning this series, as to his or anybody else's ability to draw up a set of laws that would keep all intending owners out of trouble; and he has tried to refrain from being dogmatic in what he has said. The object has been, solely, to suggest lines of thought which intending home-owners might find it worth while to pursue further—only that, and nothing more—and in this he hopes he has succeeded.

As everybody knows, any home-owning project is a good deal of a speculation, no matter how many precautions you take. It's a good deal like trying to figure out beforehand which way the cat is going to jump. It's doubtful whether the cat knows himself.

On the other hand, I would not like to feel that, by emphasizing some of the pitfalls, I have belittled the benefits that home-owning implies. As a matter of fact, I don't know any investment which, on an average, will yield a *surer* income return (or income saving) and a greater amount of real happiness and contentment than a home of one's own. I recommend home-owning as a general proposition.

A Housewife—An Empty Candy-Box—An Inspiration—Then:—

Financial Independence!

BY INEZ SHULL

Friend Income Builder:

I have to read a lot of preachy articles about thrift and money saving that don't say anything much and don't get you anywhere. So, when I came to this article by Mrs. Shull, I was just about ready to shout for joy. Here's a TRUE story and one with a POINT! Read it, and you'll feel the same way I did about it.

Editor, BYFI Department.

THIS is a little story but it is not fiction. It had its beginning in or because of an empty bon-bon box, so you can see for yourself just how modest was my start.

I had just completed a small design (lace) and, at exactly the same *instant,* I finished the last bit of candy in the box on the table before me. The thought intruded that I would get just enough cash for my design to purchase another box of candy. Silly thought, don't you think? Well, it wasn't so silly to me.

I mused on the folly of spending my time and using my material and eyesight to earn money to purchase candy to be eaten that I could earn more money to purchase more candy, etc. Endless round and I decided to stop it. Candy didn't agree with me any way (sour grapes?). It was spoiling my teeth and complexion and, horrors, it was making me *stout.*

The latter discovery sealed its fate and, with a bit of glue I sealed the cover on the empty candy box. With a sharp knife I cut a slit the width of a silver half dollar. (Now, this isn't a "kid's bank" sort of story, it's *high* finance), and I slipped through the slit I had just made all the loose change in my pocketbook without counting it. Every day I dropped in a quarter or a dime, and on days when I was feeling extra flush I would drop in as much as one dollar. When my check for my lace design came along, as it did in about one month, I popped the whole six dollars in my candy box. My! but it was getting *heavy* and *interesting.* I found myself speculating every day as to just how much it contained. When sealing it I promised myself that I would open it every ninety days and put the contents to work in the savings bank, but—something better presented itself!

I heard of a good public utility preferred stock, fifty dollars par value, paying four dollars per share per year, highly rated and selling at around forty-five dollars per share. I was so afraid that stock would go up before it was time for me to "break" my bank that I could hardly sleep nights. However, in a few days when I did open up and count my savings I found that I had enough to purchase two preferred shares and nearly twelve dollars over. Through a banker friend I bought the stock, and, in about six or seven weeks, I received a two-dollar dividend. I put this in my candy box.

I kept making designs, and every cent I earned in this manner was added to my savings account. My stock went up several points and I sold and purchased three shares of preferred rail stock. This was just before a big upward move on the market, and the preferred stocks moved right up with the common stocks.

In the meantime I received a dividend check on my rail shares added it to my fund, broke my bank again and purchased one public utility preferred share at around eighty and had nearly twenty dollars lett in my box as a nest egg. This made me with four shares of good preferred stocks and twenty dollars cash at the end of six months instead of extra ballast, a mountain of empty bon-bon boxes and no real interest in life. A little flurry on the exchange will do wonders do perk a fellow up if he is at all interested and is dealing cash outright and not on margin! My venture put new blood in my veins. It brought back my "pep," and a five-dollar dividend check now and then made me feel like an old war horse.

Many times I felt tempted to take a chance on some of the lower-priced common stocks, but my banker friend ruled against it. "Leave those stocks for the men. A woman has no business risking her funds." This was his counsel, and I've finally absorbed and stuck to it.

Well, when another ninety days rolled by I found that I could sell my rail shares and make a twenty-point profit, or sixty dollars. With the money derived in this way and the contents of my candy box I purchased six shares of another public utility at sixty dollars per share. I decided to put the seven shares of stock I now held in a safe deposit box and hold them for the interest they would pay me as I had purchased them around their low for the year. Dividends would be around thirty-six dollars per year from the seven shares.

At the end of the first year I had nine shares of preferred stocks in three different companies and my income from them was a fraction under fifty dollars per year.

(Turn to next page)

The second year I followed practically the same plan as I did the first. My designs were paying better, however, and I was able to earn extra money in other ways. My venture in stock buying gave me a reason for conserving my earnings and the second year I was able to purchase seventeen preferred shares.

I now held twenty-six shares valued at approximtely sixteen hundred dollars. (Think of the candy that amount would buy!) My dividends were now around one hundred twenty dollars per year, or better than seven per cent. My family referred to me as a "go getter." I felt that I was making good. I kept things going about the home; I did not neglect my clothing, my house, my family or my friends. I merely "cut out" a very bad habit (candy), learned to save, learned to earn more that I could save more and started an entirely new and worth-while circle.

At the end of this the fourth year I have eighty-one shares of preferred stocks. My dividends amount to nearly three hundred forty dollars per year. I have bought, sold and switched several times, losing a few times but profiting oftener. My stocks are all paid for cash in full. Brokerage is settled for at time of each transaction and is deducted from profits received.

I follow a regular system of saving and purchasing, and, whatever happens, it would be impossible for me to get caught "short." I don't trade that way. Following my system I do not see why it isn't absolutely safe for a woman to purchase and hold stocks and do business the same as any man.

When I get one hundred shares of stocks (preferred every time) in my own name I am going to concentrate on gilt-edge bonds. **In a few more years my preferred stocks and my bonds will keep me in peace and plenty (should this become necessary) and I can grow old gracefully, and, in the twilight of my life I can eat all the candy I desire, because most "kids" love a fat grandmother.**

Chat—

By a Looker-On

I HAVE just talked with the editor of The Magazine's New Prize Contest. From what he told me, and showed me, the readers are evidently going after the three prizes offered with a vengeance. One contestant wouldn't trust his manuscript to the mails, but brought it in personally.

There's a treat in store for all of us when publication of the articles submitted in the contest begins. Variety—Practicality—Simplicity and Timeliness seem to characterize the manuscripts so far received.

Returning from the office of the editor referred to above, my path led past the Inquiry Department. Something approaching a loud explosion sounded from within, and I entered to investigate the cause.

It seems the Chief of the Department had just opened a letter from a man who wanted the Department's opinion of a contemplated "switch." Said man held ten shares of a given stock, and, in the hope of obtaining greater profit without undue sacrifice at the altar of risk, he was contemplating selling this stock and buying, in place of it, 350 shares of another issue.

The stock he proposed switching out of was Standard Oil of New Jersey. The stock he proposed switching into was Columbia Graphophone.

Those around the Chief did their best to calm him down. But when I left his office he was still in convulsions.

Will the public *never* learn the difference between investment stocks and speculative stocks? And between speculative stocks and pure, unadulterated gambles?

Many readers have commented on the improved appearance of the photos, pictures, etc., used in the last four issues of The Magazine. The explanation is simple: After some experimenting, the mehanical department changed the engraving instructions from 133-line screen to 120-line. Hence the improvement.

Incidentally, I may perhaps be permitted to say that efforts are constantly being made to improve the appearance of The Magazine, as well as the quality and practical value of its articles. Of course, the mechanical department is up against obstacles, due to the brief time available for publishing each issue of what might be proven to be the *timeliest* 96-page magazine in the country; but these obstacles are gradually being overcome.

One hundred thousand reprints of Mr. Ralph Rushmore's article "An Investment You Can't Go Wrong On!", which appeared in a recent issue, are being broadcast by the U. S. Treasury Department.

A reader of the series on home-building has asked whether it is ever possible to purchase a home without a cash payment down. None of our staff knows of this having been done. The universal practice, so far as we know, is to require a cash payment, the purpose being to refund the original owner some of the cash which he himself has tied up.

Incidentally, the inquiry directs our thought to the similarity between buying houses and buying stocks, in that both can be effected through payment of part of the cost plus regular interest on the unpaid balance with ownership "free and clear" dependent on liquidation of the unpaid balance. Some of the dissimilarities are interesting: There is a definite limit to the period in which the unpaid balance on the purchase price of a home may remain unpaid. That limit, of course, is the duration of the mortgage agreement. There is no definite limit to the period in the case of the unpaid balance on a stock account (brokerage, not partial payment). The security broker, however, can require that the buyer "take up" his stock (that is, pay in full for it) at any time following original purchase (or else compel sale of the stock to satisfy the unpaid balance). In the case of the house, the cash payment is generally known as the "equity." In the case of stocks, it is known as "margin."

C. Steward Wark, in the *Penn Public Bulletin*, prints a budget which he says a $40-a-week clerk lives on. A recapitulation might appeal to the budget fans of The Magazine:

Rent, $40. A month's rent must not exceed a week's wages.
Food $50. Basis of $6 a week per person.
Clothing, $16. Women need more clothes than men, and they cost more.
Household, $14. Laundry, coal, gas and other items not included in food.
Medical, $7. Doctor, dentist, medicine, etc.
Recreational Travel, $10. Carfare, vacations, books, etc.
Benevolence, $15. Ten per cent of income is a good rule, though in some cases a smaller amount is justifiable.
Savings and insurance, $15. Get the habit of saving in the beginning. It will never be easier to acquire.

Examination of the above budget reminds us of the article we recently ran, in which a Staff Member made some vicious thrusts at the budget idea on the grounds that no $2,500-city-man, under present-day conditions, could hope to get a decent home for one-quarter of his salary, or hope to pay out 10% of his salary for charity, and so on. At the end of this article, said Staff Member besought the then Vice-President to speak out for a reduction in the cost of living, on the grounds that such an appeal would be resoundly welcomed throughout the land.

Miss Sara L. Oller, of the American Bond & Mortgage Co., doesn't fully agree with the Staff Member. Writing to him, she says:

You are right, "Mr. Staff Member," the young married man of today with an income of $2,500 to $5,000 needs something but I doubt if he needs a better scale of living costs as badly as he needs to formulate a standard of living and cultivate an independent attitude of mind. Your remarks, too, as to the percentage budgets are to the point and well taken. It is almost impossible for the $2,500-a-year-man to find rent for one-fourth of his income, and saving 25 per cent is out of the question at least for the average family.

However, it is generally recognized today that the budget that is based on the income and the needs of the special family or individual is much better than any percentage budget, so why bother about percentages? Why not be honest and

(*Please turn to page* 867)

Do You Need Insurance?

Here's a Suggestion Direct from An Insurance Company

Field Service Manager of Penn Mutual Describes Novel Type of Income Policy

THE purpose of The Magazine's Insurance Department is to spread before readers the latest and most authoritative information concerning the insurance field.

Toward this end, as it seemed to us, a constructive step would be to invite the active co-operation of the insurance companies themselves in our educational campaign.

The letter which appears here, addressed to the BYFI Department by Mr. Stewart Anderson, Manager, Bureau of Field Service of the Penn Mutual Life Insurance Co., is the first in this co-operative campaign. Other suggestions will appear in later issues.

Readers are invited to continue to place their personal problems before our Insurance Department, which has already served great numbers in the analysis of their insurance needs.

BYFI Department,
THE MAGAZINE OF WALL STREET:

Your letter of August 13 is here. It contains an invitation to us to make suggestions concerning modern insurance policies.

There is almost no new thing under the sun in life insurance policies, although new uses for life insurance are constantly being found, especially in the business world. Policy contracts from time to time are amended, and new provisions are introduced, such as the Disability and the Double Indemnity provisions. But in the main there has been no new contract, general to the life insurance business, in the last few years.

Meeting a Public Need

A few weeks ago we began the issuance of a policy which we believe does meet a public need, and for which there is already a gratifying sale. It is a regular contract in every way.

It is written only on the Life plan, and provides for the retention of the proceeds, at the death of the insured, and the payment of an annual income of 5%, in monthly instalments, to the beneficiary named in the policy when it was issued (if that beneficiary is changed, by death or otherwise, before the policy becomes a claim, the substitute beneficiary receives only 3% guaranteed, plus the annual excess interest award; and if the original beneficiary dies after beginning to receive the income, a substitute beneficiary will receive only the 3% plus excess interest), this payment to be augmented by the excess interest award for the year, as made by our Trustees.

As you know, it is common to guarantee that interest shall not be less than 3% per annum on proceeds left with a company, and that excess interest, depending upon the year's earnings, will be added. **This year we are paying at the rate of 1½% on monthly instalments. So long as this rate is maintained, we shall therefore pay an income under these contracts at the rate of 6½% per annum.**

The guaranteed 5% is not pure interest, of course. It is made up of the usual guaranteed 3% interest, and of a 2% annuity payment, which payment is taken into account in the premium rate—that is, for the increase in income from 3% to 5%, a slight annuity charge is added to the regular premium.

The object of this policy is to draw from a lump sum, at the death of the insured, the largest possible safe income. **The difference between the interest income under a regular policy, and the combined income under this special policy, might be just enough to carry a family beyond the line of bare necessity and supply them with adequate comforts.** For example, under a $20,000 policy, the income would be, at our present excess interest rate, $1,300 a year, payable monthly, whereas under the regular policy, of any company, the income—pure interest—would be only about $900 a year.

If his life insurance is all that a man can leave, it is still more desirable that it yield the maximum income, and thus the principal be made as safe as possible from the depletion necessitated by meeting family needs. This policy carries the Disability provision, of course, under which 1% a month is payable if the insured becomes totally and permanently disabled, the Disability Income being lifelong and in no way affecting the original insurance—also, further premium payments are waived if disability occurs.

Solving Individual Problems

Readers' Questions Analyzed and Answered

By FLORENCE PROVOST CLARENDON

ONE WHO IS INADEQUATELY INSURED

Has Only $5,000 to Cover Four Dependents

Would you kindly advise me re. the following:

I am considering placing more insurance. I am a traveler, aged 37, married, have three children, ages 15 years, 12 years, and 1 year. Insurance carried at present includes:

$1,000 20-Pay Life, Sun Life of Canada; $1,000 20-Pay Life, Sun Life of Canada; $3,000 Straight Life with Premiums reduced after 20 years from Profits with Sun Life of Canada.

Have salary of $4,000 a year. Have small quantity of investment stocks. Part paid up, part margin (well margined). No money in bank.

What would be best type insurance for me to take on to create a somewhat larger estate in event of death?

When I arrive back in Montreal I intend interviewing different agents in regard to premiums, features of policies, etc., but before doing so thought I would benefit by your experience and advice as to best type of policy. All my insurance is with Sun Life. A good company, but too many eggs in one basket is possibly not best policy?

Do American companies issue insurance at lower prices than Canadian, with same features? I am considering "Travelers Insurance Co., Hartford, Conn."

Your kind assistance in this matter will be greatly appreciated and followed. I find your magazine of great help in many ways and I trust it will be so in this.—J. W. D., Montreal, Canada.

I note that you are now carrying $5,000 insurance with the Sun Life Assurance Company of Canada. With a wife and three young children to protect not only now but in event of your untimely death, you are inadequately insured, and I would suggest your taking out as much additional insurance as you can consistently afford to carry.

As you have apparently no savings bank account, and a forced liquidation of the investments you hold might possibly result in a loss to your estate, there is all the more necessity for your increasing your life-insurance protection, since, in event of your death, it is quite probable

that $1,500 or more of the proceeds of the policies you now carry would be absorbed in the payment of sickness and funeral expenses, such items usually being quite a heavy debit against a small estate.

Both the Sun Life Assurance Company and the Travelers Insurance Company of Hartford are excellent "Old-Line" companies doing a large business. The policies of the Sun Life are issued on both the participating and the non-participating basis, while those of the Travelers are now only written on the non-participating form. We prefer not to give preferential advice regarding the comparative merits of good companies of this character. You would make no mistake in taking out a policy with either of those named above. They are both high class, reputable institutions, with a reputation for fair and equitable treatment of policyholders.

I would recommend your taking a 25-Payment Life Policy for $10,000, the approximate cost of which in a non-participating company would be about $260 annually. This premium would necessitate a monthly saving on your part of only a little over $20. The policy would be free from all further premium payments on your attaining age 62.

In order to more definitely protect your dependents, and to avoid loss of the proceeds of the policy (when a claim is made) through unwise investment, it would be well to stipulate that your beneficiary is to receive the proceeds of this policy as an income, in monthly, quarterly, or annual instalments, as you may prefer. These instalments could extend over a period of 10 or 15 years which would extend over the time when your children (if still young when you die) were being educated and prepared for self-support. Or, the proceeds could be paid to the beneficiary in instalments extending over a period of 10 or 20 years *certain* and life thereafter. The amount of the instalments in this latter case would depend upon the age of your wife (the beneficiary) at the time of your decease. She would in such case be guaranteed an income throughout her entire lifetime, and if the *instalment certain period* were for 20 years, and she died before the guaranteed number of instalments during that period had been paid, the remaining unpaid instalments could either be paid to a second named beneficiary, or be paid in a lump sum to her estate.

If the proceeds of a $10,000 policy were paid in monthly instalments over a period of 10 years only, the monthly income would be approximately $98; if paid over a period of 20 years only, the monthly income would be approximately $58.

Assuming that your wife were age 45 when a claim were made on the policy, and that the income were to be paid for 20 years *certain* and throughout her life thereafter, the monthly guaranteed income from this $10,000 policy would be about $48.50.

These income payments would be increased by such annual dividend allotments as might be apportioned by the insuring company.

Points for Income Builders

Definitions of Some of the More Frequently Heard Wall Street Terms

Capital Assets

CAPITAL Assets of a corporation are those assets of real estate, machinery, fixtures, etc., its "plant investment," broadly speaking, which are of a permanent sort, and which differ in character and nature of usefulness from such assets as cash-holdings, stock on hand, etc.

Current Assets

Distinct from the permanent investment know as Capital Assets are the holdings of a corporation which are in constant use, subject to constant change, and, it might be added, possessing an immediate value in exchange. Included among these are inventories, stock on hand, cash, accounts and bills receivable. They are known as the Current Assets.

Deferred Assets

When a corporation's report is prepared, it must account for the entire position of the company in respect of all obligations as well as all credits. But some credits or obligations extend for a period beyond the date upon which the report is prepared. In the case of advance credits established, or expenses paid over a period extending beyond the date of the report, the items may be grouped under the title of Deferred Assets.

Frozen Assets

This term, like its sister term "frozen credits," was much in use during the deflationary period which followed the war and when there were so many cases of obligations assumed whose discharge depended upon a resumption of the normal flow of business and credit. Frozen Assets are the opposite of Liquid Assets. One may offer the analogy of a man with a block of ice and a thirst: To appease his thirst, he must wait until the ice melts. To turn frozen assets into assets of available value, they must be liquefied.

Intangible Assets

You can place any value you like upon the good will, patents, copyrights, franchises and other similar possessions of a corporation, but you will find difficulty in justifying said value on mathematical or scientific grounds. They are entirely *intangible,* and are therefore called Intangible Assets. Some believe that conservative accounting practice is not to place any value on them at all, or else to place a value of such small proportions as to preclude error.

Dead Assets

Some of the holdings or possessions of some corporations occassionally become entirely unmarketable, in any form, and hence lose all their worth. As such, they are known as Dead Assets.

Slow Assets

The asset-holdings of a corporation are either "alive" (of immediate, provable value) or "dead" (see above); they are either liquid or frozen; they are either "quick"—that is, capable of being immediately converted into cash—or "slow"—that is, of a sort which can be converted into cash only after a period of time.

Still Time to Enter Prize Contest!

Readers of THE MAGAZINE OF WALL STREET *have still time to enter articles in the Prize Story Contest. The closing date is September* 15*th, at* 12 *noon.*

Conditions of the contest are simple: Articles must not exceed 2,500 *words in length, and in subject-matter and style of treatment must be appropriate to these columns.*

Manuscripts should be addressed to: Prize Story Contest, THE MAGAZINE OF WALL STREET, 42 *Broadway, New York City.*

Readers' Round Table

Mr. Branting Draws Fire

This Reader Thinks We Were Too Pessimistic

Editor, The Magazine of Wall Street.
Sir:

I have read with interest Mr. Branting's article in July 21st issue, entitled "Why Labor Is Sore—Why the Farmer Is Sore—Why the Business Man Is Afraid," and almost feel disposed to join in the general gloom of the subject as a disappointed reader, to be in harmony with a discordant subject. It seems a better ending might be given to the story. Just as a plain ordinary citizen I venture to try to express a few thoughts.

The conditions described in the first part of the article probably exist substantially as represented, but is not this soreness, this feeling of discontent, after all, the age-old condition basically, which is to be found always in history, the stage settings being a little different? Could it be all a matter of individual and collective selfishness, the common and all-embracing sin of mankind from the beginning, without which mankind would be nearly perfect and heaven almost a reality on earth?

Is there any reason to think man in general will ever attain perfection on earth or attain perfect contentment?

Is it not a fact that the contented person is more or less of a dullard, and that most progress is the result of discontent? Is is not true that to a large extent discontent is the result of ambition, and is not the phenomenal progress of America due to the fact that discontent, restlessness, ambition has coursed in the veins of this fused race since the first discontented settlers left Europe? The contented ones stayed behind. Reasonable discontent then is to be expected.

By what reason or right can labor be sore if the word is stressed beyond normal discontent? Mere high wages for the laborer means little except so far as his class of labor can get wages raised without any other class of labor getting a like advantage, otherwise he raises his cost of living seriously and decreases the purchasing power of his money. If all classes of labor were paid a minimum of $25.00 a day, theoretically and according to Mr. Branting they should be happy and contented as they would unquestionably be receiving a "high wage scale" relative to present time, and suppose on top of this the working day were six hours, 4 hours or 2 hours. The cost of producing the things the workman now regards as necessities (and he uses nearly everything produced), would so increase that the dollar would have the purchasing power of a few cents, and the ultimate end on following unlimited wage increases is perhaps the German and Russian situation and certain disaster as demonstrated. The matter of wages is relative as are all things in life.

All of Us Laborers

The percentage of people who do not work at something in America is so small as to be negligible. Therefore labor includes all of us practically. We are all in the same boat. Everything that is produced consists of labor and raw materials. Why advertise and lament the troubles of a class or two of those that work among us, in preference to others? Every division has its troubles—who is there for instance that is loudly proclaiming the demands of the division of small-salaried men in office positions, who are a fairly large percentage of those who work and who on the average receive less than coal miners and not far from the cheapest common labor? Who pleads the case of the ministers of the gospel, who are hardly able to live with ordinary comfort, who pleads the rights of all the others who have not organized to exploit their fellow man by forcing arbitrary conditions not warranted by supply and demand, the natural laws?

Mr. Branting says the farmer cannot prosper without labor receiving a high wage scale. The farmer's trouble right now is that he has to pay too much for everything as the result of the high wage scales. It was not long ago that $1.00 wheat indicated great prosperity for the

(*Please turn to page 869*)

More About "Our Spendthrift Municipalities"

This Reader Thinks Taxpayers Would Be Interested

Editor, The Magazine of Wall Street.
Sir:

I was very much interested in Mr. George M. Branting's article on "Our Spendthrift Municipalities" in the June 9th issue of The Magazine of Wall Street, also your ideas and comments thereon, and would like to see more of such good, enlightening articles in our magazines and newspapers.

We need educating in regard to the tax question. Most everything said and written on the subject, however, is so abstract and vague that it does very little, if any, good. People think taxes are too high and increasing at an alarming rate, but they expect the President or the Governor or somebody else to reduce them and keep them down, not knowing or realizing that they themselves are the ones to do it. Definite, concrete information is needed, something interesting and helpful, that will tell them what they ought to do and can do by intelligent effort, as was demonstrated in this little city a few months ago, when a school bond issue was voted down three to one and the old members of the school board badly beaten at the city election. It is quite an interesting little story and shows what can be done when people take an interest and try. I think it would be a good story to follow Mr. Branting's article and might inspire confidence in others.

We need to be awakened and aroused to the danger in the present situation and then told and shown what we should do. The great trouble seems to be that people don't know what they can do or that they can do anything at all to prevent the high taxes and they just submit reluctantly to what they think is inevitable.

I was also interested in what you said about the attitude of the small investor toward his corporation. Last fall when so many stock dividends were being declared, I received a notice from a company in which I had some stock, saying that a meeting would be held on a certain date for the purpose of considering the matter of a stock dividend, whereupon I wrote them my views on the subject. Whether my letter influenced them or not, I do not know; but anyway I wrote and told them what I thought, and no stock dividend was declared.

You perhaps do not know of the prejudice existing among people generally against anything in any way connected with Wall Street. They are very suspicious, to say the least, and as a rule the name "Wall Street" brands it as something to be avoided and shunned. I would like to show Mr. Branting's article to several people, but will not do it, as I feel sure from past experience and observation that they would think and probably say something like this: "Oh yes, Wall Street wants the money to gamble with. We will just go on with our paving and building and show they can't have *our* money. We are not going to save it, so Wall Street can have it," and they would not pay much attention to it.

It seems to me such an article as Mr. Branting wrote, on a matter of so much importance and universal interest, should not be confined to your publication alone and it is worthy of reprint in other papers and magazines.—L. S.

Mining

Which Are the Low-Cost Copper Producers?

Comparison of War and Post-War Copper Costs—Output as a Factor in Determining Cost—How the Copper Companies Got Back to an Efficiency Basis

By WELDON CHASE

WHICH are the lowest-cost copper producers? Seemingly a not hard question, but, as a matter of fact, an exceedingly difficult and complicated one to answer with a reasonable degree of accuracy. The reason is that there is no generally accepted form of accounting by the various copper companies. Each producer follows its own methods. Many of the more progressive concerns frankly state their costs, while others bury them far from the human eye. Perhaps for the same reason that an individual earning a salary of $50,000 a year goes to no extremes to conceal the fact, while the $5,000 wage earner is as touchy about his stipend as a woman about her age. Some copper companies subscribe to the view that annual reports and balance sheets are for the purpose of enlightening stockholders, while others apparently believe that the function of figures is to benight the shareholder. Consequently the statistician must supply himself with a store of sharpened pencils and infinite patience if he would attain his objective.

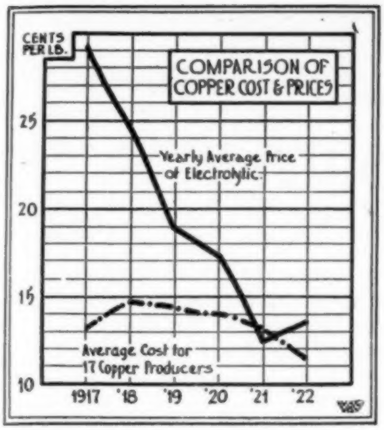
Costs a Dominating Factor

The matter of copper costs is a dominating factor in the industry as in most other lines of commercial endeavor. The war rise of the metal and subsequent decline, as shown on page 734 of our last issue, brought additional emphasis to the cost question. Previous to the war 14c. for metal was considered a fair price and one upon which most producers could show a just profit. The fever of the war period knocked sky-high all previous criteria of costs and selling prices. Costs were negligible. Output was the thing. Consequently, at the time of the armistice, the cost of producing copper had, on the average, risen not only to the highest basis in many years, but was above what was considered a fair selling price for the metal in pre-war times. The accompanying graph illumines this point. The two succeeding years showed some reductions in costs, but the selling price still remained high and the situation did not become acute until late 1920 and early 1921 when the copper market broke badly and showed signs of a complete collapse. With the metal selling below cost of production and with an enormous carry-over from war purchases, there remained as the only effective and immediate remedy to the situation, a drastic cut in production. This step was taken. The leading producers curtailed production on May 1, 1921, and did not resume until the following April, at which time the unwieldy stocks of surplus copper had been reduced to a normal basis. Some producers closed their plants down entirely and others operated at 50% of capacity.

TURNING OUT COPPER IN A BIG MILL

Ball mills in a big Arizona copper-smelting plant. Here ore is crushed before going to the chemical tanks to be concentrated by the flotation process

The curtailment allowed the installation of labor-saving devices and the development of operating economies, so that last year the copper companies were able to produce at a cost which allowed a profit, in most cases, on the year's average price of 13½c. for copper. The average cost per pound of copper produced is now nearing the pre-war basis. Trade authorities are of the opinion that the future will not see a considerable further reduction except in individual cases. On the other hand, there are many American producers of long standing whose costs will tend to rise. Of the copper produced in the United States approximately 50% comes from the Butte and Lake Superior districts which have been turning out the red metal since 1868 and 1845, respectively. The Bisbee district in Arizona commenced activities in 1880 and produces about 9% of American copper, and the Bingham district producing 7% started up about 1896. Other producing districts, with percentages of copper produced and the dates of the beginning of operations, are: Globe-Miami, Arizona, 6%, 1881; Morenci-Metcalf, Arizona, 5%, 1873; Jerome, Arizona, 4%, 1883, Ely (Robinson), Nevada, 3%, 1908; Santa Rita, New Mexico, 2%, 1800; Ray (Mineral Creek), Arizona, 2%, 1911; Shasta County, California, 2%, 1897, and Ducktown, Tenn., 1%, 1850.



It will be perceived, therefore, that the copper produced in this country comes from long-established centers of production, and, as the article in our last issue shows, there is very little "new" copper, i.e., copper from new properties, coming on the market. That means a race between rising costs and operating economy and efficiency to which, of course, there is a limit.

Grouping by Costs

The various copper companies may be roughly grouped into four classes; those which produced at a cost per pound of from 7c. to 10c., those producing at a cost of from 10c. to 12c., those producing at a cost of from 12c. to 14c. and those producing at from 14c. upwards.

In the first class belong Cerro de Pasco, Utah, United Verde Extension, Kennecott, Chile, Nevada Consolidated and Miami. If this article embraced a complete survey of the leading producers it would have to include United Verde and Mother Lode in the first class. In the second class belong Calumet & Hecla, Phelps Dodge, Braden and Anaconda. East Butte also belongs in this class. The third class embraces Calumet & Arizona, Ray Consolidated, Copper Range and New Cornelia, not to mention Mohawk and Granby Consolidated. In the fourth class are Quincy, Greene Cananea and Magma. Also Tennessee Copper, Inspiration and Chino.

It should be noted, however, that, while these classifications are based on the 1922 showings of the various companies, they are not final. Magma Copper, for instance, when its new smelter starts operations next January enabling double the present output, expects to graduate from the 14c. to the 8c. class.

Other companies, particularly the porphyries, show much lower costs when operating at or near capacity than on a smaller outturn basis. Compare the 1916 costs per pound of Utah and Ray Consolidated. Chino in times past has shown remarkably low costs, 5.75c. a lb. in 1915, although of late years its costs have been much higher. Chile Copper is also a company which makes its best showing in years of large output as shown by the following tabulation:

Chile Copper

Year	Production (mills. of lbs.)	Cost per lb. (c.)
1915	9.5	18.5
1916	42.6	18.94
1917	88.4	18.7
1918	102.1	15.0
1919	76.7	15.9
1920	111.1	13.1
1921	54.0	10.8
1922	134.5	9.0

Braden Copper is another property which is likely to do much better in the way of costs as it belongs, theoretically, in the first class of low-cost producers. This property, situated high up in the mountains of Chile, presented many new and difficult mining problems and its development has been slow and expensive. In size it ranks along with Chile and Utah, having ore reserves of 264,000,000 tons, compared with Chile's 688,000,000 tons and Utah's 363,000,000 tons. Braden has an estimated annual production capacity of 183,000,000 lbs., but to date has not attained anything like that total.

Miami should show lower costs than for 1922 on a full production basis as should Nevada Consolidated and Greene Cananea. A number of copper companies are now using the flotation method of extraction, and, as others adopt this treatment process, their recoveries should increase with consequent lowering of costs. Companies which show rising costs which are not principally due to a smaller production basis, are Kennecott, Phelps Dodge, Calumet & Arizona, Quincy, United Verde Extension and Greene Cananea. In some cases this is due to increased operating costs and smaller recoveries and in others to special circumstances which tend to keep costs up. Anaconda with its vast interests outside its mining field might properly be regarded as much as a manufacturing concern as a copper producer. Its interests include railroads, lead refineries, smelters, trading companies, coal, coke and oil companies, lumber companies, lead, gold, silver and copper companies, a copper and brass rolling mill and control of the largest brass company in the country.

The copper industry has shown how to handle the problem of surplus stocks and how to liquidate the abnormal war-time costs. As a result the copper industry, while not booming, is on a sound basis and every producer who has an economic right to turn out the metal, is able to show a profit on the present copper market.

PRODUCTION COSTS OF LEADING COPPER PRODUCERS

(Cents Per Pound)

	1922	1921	1920	1919	1918	1917	1916
Cerro de Pasco	7.0	9.0	11.0	10.0	12.0	12.0	10.0
Utah Copper	7.8	11.5	13.4	12.3	12.5	10.9	6.9
United Verde Ex.	8.1	13.4	9.8	11.6	10.6	6.1	6.4
Kennecott	8.6	9.9	10.6	7.4	9.1	6.2	5.1
Chile Copper	9.0	10.9	13.1	15.9	15.0	18.7	18.9
Nevada Consol.	9.6	12.3	17.2	16.1	15.6	11.6	8.8
Miami	9.7	11.2	12.4	16.3	15.8	13.5	9.9
Calumet & Hecla	10.2	14.0	18.5	20.6	21.5	13.0	11.6
Phelps, Dodge	11.0	14.0	16.0	13.5	14.0	13.0	10.0
Braden	11.0	14.4	16.9	19.2	17.4	17.2	13.0
Anaconda	11.0	17.0	16.0	15.0	13.5	13.5	11.0
Cal. & Arizona	12.0	15.3	14.3	14.1	15.2	16.7	9.0
Ray Consolidated	12.4	16.2	15.5	14.9	15.6	12.2	10.7
Copper Range	13.2	12.7	17.7	15.3	14.4	12.5	9.5
New Cornelia	13.5	12.5	12.9	14.6	14.8	12.4	....
Quincy	14.3	14.8	19.1	17.5	20.3	18.9	12.4
Greene Cananea	18.2	14.1	10.3	14.7	15.0	17.4	11.3
Magma	....	14.9	18.2	14.5	16.4	16.0	10.8

1 Including construction.
2 Before depletion.
3 After construction and Federal taxes, but before depletion.
4 Including all taxes, but not depreciation.
5 Includes depreciation and all taxes.
6 Includes depreciation and all taxes, except Federal income and profit.
7 Includes depreciation but not taxes.
8 Before depreciation and depletion.
9 Estimated.
10 Includes depreciation, state, local taxes, but not Federal income.
11 Includes depreciation, state, local and part Federal tax.
12 Includes depreciation.
13 Not including cost of reclamation plant.
14 Includes depreciation, taxes, miscellaneous income and interest, except bond interest.
15 After depreciation, crediting other income.
16 Based on period of operation.
17 Includes depletion

Note: Acknowledgment is gladly made here of our indebtedness to Mr. E. N. Skinner in aiding the assembling of this table.

SERVICE · SECTION · OF · THE MAGAZINE OF WALL STREET

IN THE BANKING WORLD

Conducted by
H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

Is Branch Banking Succeeding?

Some Questions Raised as Result of Experience of City Banks

THE apparent change of policy which has been determined upon in Washington, with respect to the whole question of branch banking, may result in bringing the issue sharply before Congress at the new session of the coming winter. It is expected also to result in renewed discussion of the subject at the Convention of the American Bankers' Association which will assemble in Atlantic City toward the end of September. The issue is by no means settled in any of its phases, either from the legislative, or the general policy standpoint. While these elements in the situation are under further consideration, there has unquestionably developed, in various parts of the country, doubt among bankers with respect to the purely business aspects of the case.

Whatever the reason may be, there has apparently been a substantial slowing down in rate of growth of bank branches in some sections of the country. Action by Federal Reserve authorities in "turning down" some applications for branches recently, has convinced intending organizers here and there, that there was no use in pressing the plans further so long as Federal Reserve policies remained as at present, while the somewhat similar position of the Comptroller of the Currency has had a parallel effect.

In sundry states, legislation of a hostile nature, or legislative discussion that showed there would be action should the branch movement continue, has operated to suspend further progress for the present. In addition to these elements, however, there has arisen a question in some quarters whether the branch system is really likely to "pay." Some of the best bankers are of the opinion that, under American conditions, it may pay very well to create branches within city limits, but that beyond the easily reached territory surrounding a bank located in a great city, there were countervailing considerations which made the whole matter very doubtful. Others are finding that after all the older systems of controlled banks pays better and provides a more satisfactory type of organization. In New York, discussion of the situation has revealed a good deal of difference of opinion within the past few months, although it must be admitted that in that city the preponderance of favor is on the side of a limited branch system.

Differences of System

In the past, while our branch system was still in process of development, it was constantly argued that the Canadian system was the type to which we ought to attempt to conform, and that that system showed how we might gradually evolve a more profitable banking organization that would be even more responsive to demand than our present type. Practical experience has suggested the existence of some difficulties in applying the Canadian system, or any other branch system, that are worthy of consideration.

Apparently the American public has become accustomed to a style and type of banking service that is considerably more highly developed than that which is furnished by some of the country branches of the Canadian banks, and that exacts a more costly equipment, as well as a more elaborate personnel. Unless these are supplied by the branch, it finds, in a good many cases, that the competition with independent banks subjects it to so much expense it might as well have an independent organization with the officers and other elements of more costly service that have rendered the independent banking system so subject to "overhead." On the other hand, experience is showing that, unless we could introduce here the foreign system whereby a borrower confines himself exclusively to a single bank, placing with it his entire business, the working of the branch system is subject to a variety of difficulties which make its utility somewhat questionable, under conditions like those which in Canada would be conducive to the branch plan of operation.

The situation has also revealed itself clearly in connection with bank control. Thus far, a good many of the branches which have been created in the United States have been the result of purchase of small banks formerly locally organized and competing with the larger institution. In order to eliminate or check such competition, such local banks have been bought up and operated as branches, but it has shortly appeared that for the purpose of keeping their business, it was frequently necessary to retain their boards of directors in an "advisory" capacity. This has raised the question how to control the operations of the banks, and various devices have been resorted to. One large institution achieves this object through the frequent visits of representatives of the parent institution who sit with the boards and really exercise a veto power over their operations. Another places the entire power in the hands of the manager who represents the parent institution, but the local advisory board may "hold up" action of certain kinds, or may appeal to the parent bank for decisions in certain cases.

In those instances, where statewide systems of branches have been established, traveling inspectors of branches are kept at work, constantly going the rounds and reporting back to the home office. Practically all these methods have been found to be objectionable, due to conflict of judgment, lack of promptness of action, expense, or other considerations. This does not mean that they are failures, or that there is ground for discarding them, but merely that they tend to eliminate a large part of the advantages of the branch as illustrated in the experience of foreign countries.

Development of the branch system is likewise showing that in the United States there is a strong desire to maintain the system of local responsibility for bank operations, and so far as possible the local use of funds. Study of the foreign experience does not show that there has developed any of the tendencies, sometimes complained of, to draw off money from one part of the country and apply it in another, so that the agricultural regions suffered to the benefit of the cities or vice versa. It does, however, seem to show that there is a less definitely localized development, and that as a result, many communities part with their funds for the support of others, while the others correspondingly benefit. This state of things is not acceptable to American communities where local growth in population and diversification of industries are the primary object of many. It may not be absolutely true that the independent bank system has greatly contributed to the rapid development of the less settled sections of the country, but the opinion to that effect is widespread, and the local prejudice on the subject tends to interfere with the growth of the branch system. In these circumstances there can be no question that the advantages resulting from the operation of the branch plan in Canada and similarly situated countries are largely neutralized.

It is understood that study of the profit and loss accounts of a good many banks that have introduced the branch system on a large scale is indicating ground for doubt as to whether the plan is really very profitable under existing conditions in certain parts of the United States. Many banks have found it desirable in past years to control "strings" of smaller banks, but the most successful instances of the sort seem to have been those in which the larger institution merely took a substantial block of stock and did not seek to purchase the whole. It then usually named an officer or two, and had some directors on the local Board, but its interest was not enough to destroy the local character of the bank. Although national and state banking authorities have long known of the well developed character of this system, they have never thought it deserved serious interference save in sporadic instances. The plan has been profitable and in the case of some of the larger banks which operate security companies as auxiliaries, it is understood that important holdings of banks stocks are carried to good advantage in the portfolios of these institutions. Comparison of the plan of control through stock ownership has apparently confirmed the thought on the part of some that this plan was really preferable from a business standpoint to the branch proposal.

The prospect of congressional interference is not relished by bankers because of the probability that a large piece of legislation might be initiated which would involve discussion of present methods of interbank control. The Clayton act has been largely a dead letter, and in the attempt to revive it, and to act on branches, it is thought that some important changes in banking operations as affecting stock ownership, organization of auxiliary corporations, and other matters of similar kind are likely to be introduced. The current reaction, if such it can be called in the attitude of some influential city bankers with respect to the branch question, is likely to play a part in shaping the discussion of the early subject and may remove from it some part of the decided bitterness that has been shown during the past year at bankers' associations and other places at which the issue has come to the front.

Debt Refunding Again Planned

Secretary Mellon's Return Brings Issue to the Front

Washington, August 23.

THE return of Secretary Mellon from Europe has been accompanied by the announcement of several important decisions in at least a tentative form. Possibly the most significant is what appears to be a decision not to press France at the present moment for a further adjustment or settlement of her debt to the United States. There has been no public official announcement on this subject, either from the Treasury or from the White House, but there is a general understanding that the facts ascertained by both Mr. Mellon and other members of the World War Debt Funding Commission who have been abroad during the past summer, are unfavorable to the notion of effecting some early settlement along definite lines. While there is a continued belief, among officials of the government, that there should be no opposition on our part to "intervene," or to take up the burden of European indebtedness, it is also recognized there that the funding so much desired by Congress is unlikely to be effected in the absence of much more positive adjustment of reparations.

During the absence of Mr. Mellon, there has been a general halt in Treasury policies, due to the fact that no officers qualified to settle the larger questions were on duty. His return opens the way for disposal of some of these issues, and among them the problem of further refunding of the domestic debt comes up for solution. Two series of certificates of indebtedness are shortly to mature, and it is the apparent intention to take care of them by floating an issue of longer-term bonds. This will be somewhat of a change from recent policies, as the greatest success in refunding during the past two years has seemed to be attained through the conversion of certificates and other current obligations into notes running for short periods of years. This plan naturally has the effect merely of deferring the date of maturity when such obligations must be met and provided for. It is desirable that so soon as practicable, provision be made for the permanent funding of the debt into longer-term bonds which can then be gradually returned through the operations of the sinking fund.

The farm finance problems facing the Federal Reserve Board are still under advisement, and there has been no indication of the adoption of any new policy on the part of the President who has had the general situation in the farming districts under advisement. There has been a very general belief that the Administration would come to some conclusions as to the farm finance question, but indications now are more favorable for the marketing of wheat at reasonable prices, and other indications point to the postponement of the whole subject until Congress reassembles. Meantime, however, the reserve banks are doing considerably more financing for member banks as the season advances, and there is good reason to believe that the farmer is receiving all the short-term credit to which he is reasonably entitled. His problem is more broadly recognized now as entangled with the question of freight rates and prices of manufactured articles, and is less involved with matters affected by short-term credit.

Attitude Toward Non-Members

There is, however, an important qualification of this position seen in the definite assumption of the attitude by the Board that it will not sanction, save under unusual circumstances, the rediscounting of paper by member banks on behalf of non-members. In a recent statement on the subject the Board says: "As a general rule the Federal Reserve Board will not grant to member banks permission to rediscount with Federal Reserve banks the paper of non-member banks which are eligible for membership in the Federal Reserve system. . . . The Board will make exceptions to this rule, however, in some cases in order for a limited time to assist such banks in emergencies; but such exceptions will be made only with the understanding that they will not be continued beyond the period when the eligible non-member bank concerned can qualify for admission to membership in the Federal Reserve system." This action is unquestionably intended as another means of drawing eligible banks into the system and thereby of enlarging membership along the lines that have been so much talked of in Congress.

Is Banking a Good Business?

Conservative Institutions Moderate In Earnings— Facts to Be Remembered In Analyzing Bank Stocks

THE question of banking profits has lately come into a position of some interest as the result of efforts to compare the earnings of banks with those of other occupations. Some of the so-called radical journals have been descanting upon the high rate of profits earned by our banks, the Controller of the Currency having reported for last year a total earning of something over 12%. Along with attention to this fact, are usually offered some remarks on the high rate at which bank stocks are sold, it being observed that, in New York City for example, a large majority of the stocks regularly traded in sell for more than 200 while there are several which are far above that figure. This is ordinarily referred to as an evidence of the great earning power of our banks.

Some Misleading Figures

The figures used in this way are undoubtedly very misleading. As stated by the Controller, the rates of earnings doubtless represent conditions which prevailed after some writing off of losses had taken place.

Year	National Banks	State Banks and Trust Companies
	:——Net Profit %——:	
1919	12.1	12.1
1920	12.8	13.6
1921	9.4	12.0
1922	7.8	10.3

The Controller, however, has never been unreasonable or arbitrary in demanding the writing down of losses, at a rate that would embarrass the institutions under his directions, unless such action was absolutely necessary. It may very well be questioned whether the banks of the country as a whole made net earnings even nearly up to the figure that technically appears to hold good from a study of the formal report of the Controller himself.

Very much more information and analysis is needed before reaching any such conclusion as is drawn from the bare figures as furnished without close analysis. It is also true that the quotations of bank stocks have not the slightest bearing upon the earning power of the banks themselves, for the good reason that most banks have had a surplus paid in at opening, while others have accumulated one during the early years when they were not declaring dividends. Their earnings, therefore, must be computed, not upon their capital stock but upon their actual investment, in order to get a reasonable idea of their profitableness. In the case of any particular bank, a sound conclusion could be arrived at only by tracing its dividend and earnings history back to the beginning, and including for the purposes of averaging, the lean years when no dividends were declared, or when they were on a very low basis.

ALL NATIONAL BANKS OF THE UNITED STATES
Year ended June 30, 1922

Group	Gross Earnings %	Earnings before Losses %	Losses charged off %	Net Profits %
Banks suffering a loss	45.2	12.7	14.3	*1.6
Banks earning less than 5 per cent	46.1	13.6	10.4	3.2
Banks earning from 5 percent to 7.8 percent	45.9	15.2	8.5	6.7
Banks earning over 7.8 per cent	45.0	16.9	7.1	9.8
Average all banks	45.3	16.0	8.2	7.8

* Loss

The First National Bank of New York stock in which is quoted around $1,200 a share

Heavy losses within recent years have undoubtedly been inflicted upon the rank and file of the banks of the community. This was due to great shrinkages of prices, the very high level of business failures which has been characteristic practically since the close of the war, and the enormous changes in the value of securities which have occurred as the result of profound alterations of capital value and consuming power.

Some of these losses have resulted in reductions of capital or surplus, while others are still to be "taken" in the technical sense of the word. All these factors must, of course, be reckoned in before any reasonable conclusion as to banking earnings is arrived at.

The case is entirely different from that which exists in industrial corporations, because such concerns are subject to entirely different laws from those which govern the banks, and are by no means obliged to follow a policy of writing off losses or changes in the value of assets, no matter how seriously such a policy may be called for by the principles of accounting and business. Altogether the general conclusions that are being spread abroad by radical journals and by some economists, with reference to this subject, would seem to have next to no foundation.

Banking a Good Business

Banking is, nevertheless, a good business as businesses go;—a fact which was pointed out in these pages some months ago in a survey of banking earnings at that time. It is never likely to be a business of large earnings or great profits, save under very peculiar and unusual conditions, but when conservatively carried on, it can be made a source of regular steady incomes to the stockholder, who is also likely, if the management of the banks is conservative, to see a regular advance in the principal value of his holdings.

This raises the question, often asked: What is a fair rate of return on bank stock? The answer to this is afforded by noting the income return which is being yielded by the rank and file of good bank stocks. That income is now about 5½% or in some cases 6%. With a new bank, it is usually a good while before so high a rate of earning is realized, and this fact tends to confirm the opinion that the rate just referred to may be taken as representing a fair average return upon funds invested in sound banking. Prac-

tical banking ability is highly paid, with the result that those bank officers who can practically guarantee a substantial earning to the institutions which they control, are able to take a considerable portion of such earnings in the form of salaries. It sometimes happens that small stockholders make fortunate investments in bank stock, their stock advancing rapidly in price because of unusually good management on the part of officers representing or perhaps owning a large interest in the bank.

This kind of fortunate investment is not different from the investment or earning which may be made in other branches of business, and does not represent the return to be expected by the aggregate capital invested in banking enterprises. It is merely a special individual earning, due to "inside" knowledge or unusually good judgment, and has nothing to do with the general return obtained on bank assets.

Competition in Banking

Banking is a highly competitive business in the United States, because of the broad authority under the National Bank Act to engage in it under very liberal conditions—an authority which has been paralleled and imitated in the State Banking Systems. As a result of this competitive situation, a great many new banks are, from time to time, established, with the result that they draw business from older institutions and cut down the profits from the latter.

As a result, however, of the expensive conditions under which banking must be carried on, new banks have their own problems, and there has been a very great mortality among them, not through failures but through amalgamations, mergers and absorptions. Losses have from time to time been incurred in this way, or what is more likely in many cases, there has been an absence of profit, the time and expenditure consumed in establishing the bank being wasted, as a result of the sale or merging of the institution. The figures weekly given out by the Controller of the Currency showing charters surrendered, and banks merged with other banks, furnish a clue to this movement and explains why it is that, in spite of the rapid organization of many new banks each year, the total membership of the national banking system grows so slowly, relatively speaking. The same is true of state institutions; and in some states the fact is even more marked than in others.

A Two-Sided Picture

The picture of banking profits and earnings is thus unquestionably a two-sided one, the situation being such as to afford very decided modifications upon the more rosy view which is furnished by those who simply take the statistics of earnings at their face value without examining into them at all. The recent action of some of the great English and colonial banks in writing off almost their entire surplus, and in some cases in undergoing other obvious losses, the parallel experience in a worse form on the Continent of Europe, and the failure of some Canadian banks, shows that the "good management" so often referred to as the sole requirement of profitable banking is by no means a simple solution of the banking problem. No bank is free of the risks and hazards of the commercial community, and these risks and hazards have greatly multiplied of recent years. These facts deserve to be considered rather carefully, not only by bankers and bank investors but also by legislators who are now in many states taking a special pleasure in imposing taxes upon banks and financial institutions, or upon "monied capital." They also should receive the study of those so-called "radicals" who like to represent that "money trust" activities are invariably productive of large revenue.

The Banking Situation

Shift from Investment Securities to Commercial Paper

WELL past the half year, and with figures for the whole of the first six months of 1923 in hand, the banking situation is a good deal clearer in its larger aspects than heretofore. It is now possible to see with much greater accuracy, approximately what the business expansion of the past year and the relative slowing down of the past three months have done in changing the general drift of affairs.

Investments vs. Commercial Paper

For about a year past, the holdings of loans secured by stocks and bonds have shown a generally stable condition, increases in such places as New York being offset by declines elsewhere. At present, and for some weeks past, distinct decline both in New York and elsewhere has occurred in this particular item, while a similar situation, although less marked in degree, has prevailed as respects actual holdings of owned bonds and securities. On the other hand, the comparison of compiled figures showing the situation at this season of the year for the past three years shows that low point in holdings of commercial paper was reached about the middle of 1922 and that since then these holdings of paper have steadily moved up. The business recession of the past two or three months has not affected them in any material degree, but they are apparently nearly stable at the present time. If anything, they still show a slightly advancing tendency, which is the more interesting because of the fact that the "frozen loans" of a year or two ago have been so generally liquidated so that present holdings of paper are largely live advances.

Position of Reserve Banks

One of the most significant features of the case is the relative closeness with which the portfolios of reserve banks follow those of the members, in general tendency. According to reports made by the Federal Reserve system, government security holdings of the federal reserve banks at a recent date were less than $100,000,000 as compared with $600,000,000 or more a year ago. Between July, 1922, and July, 1923, circulation also increased by $354,000,000, but of this only $45,000,000 was federal reserve currency, showing that business activity and the demands growing out of it had been supplied through the deposit side of the system's operations.

The general lesson to be drawn from the showing now made in the form of comparative statistics is, that both member banks and federal reserve banks have considerably reduced their investment activities, the federal reserve banks having been particularly pronounced in the changes they have undergone in this direction, while they have financed the growth of commercial demand upon them by using the investment funds so released without material enlargement of their own deposit and circulation accounts during the past year. They have, in short, financed themselves to no small extent from the investment market. This situation has probably about reached its limit, and further changes are likely to involve an expansion of bank credit.

Effect on Money Rates

The conclusion probably to be drawn from this bank showing in a market way is that the stock and investment market is less likely to feel the disturbing influence of bank operations from now on, and less likely to have to absorb investment paper thrown overboard by banks. The effect of this situation should be to improve the quotation of the gilt-edged securities, while in like manner the actual expansion of bank credit, which is likely to continue from now on, would appear likely to tend to harden money rates. Whether the factors may be in part offset by other factors, is of course to be seen, but the tendencies thus indicated are undoubtedly at work and will produce their effect.

Have you read the announcement Bottom of Page 828?

SERVICE SECTION

ANSWERS TO INQUIRIES.

Industrial Inquiries

Industrial Specialties

MANY ATTRACTIVE OPPORTUNITIES IN THIS GROUP

With overproduction in the oil industry, adverse legislation threatening the railroads, the uncertain foreign situation clouding the outlook for the coppers, and a possible overproduction of automobiles, I have reached the conclusion that the best stocks to buy for appreciation in value at this time are to be found among the industrial specialties. Will you kindly name a few, not too high-priced, that are showing good earnings and which you consider desirable at present prices? I am more or less familiar with the market leaders and would like suggestions in specialties.—S. T., York, Pa.

We agree with you that many good opportunities are to be found among industrial specialties at the present time. Most of these have had very substantial declines from the high levels of last April and on the basis of earnings and outlook appear undervalued at present prices. The following stocks have, in our opinion, very good prospects of showing a substantial appreciation in value from present levels:

	Earned per share on common			
	1922	1st 6 mos. 1923	Div.	Price
Air Reduction	$5.23	$7.72	$4	64
Butterick	3.42	3.50	—	19
Cluett-Peabody	12.01	10.89	5	66
Julius Kayser	*10.00	——	—	34
American Steel Foundries	4.03	4.38	3	35
Continental Can	7.53	†——	4	47

* Julius Kayser for the year ended August 31, 1922, earned $10 a share on present outstanding common stock. Earnings for the year ended August 31, 1923, are expected to exceed this figure.

† Shipments of Continental Can so far this year have been running about 25% ahead of 1922 and earnings for 1923 are expected to show up considerably better than 1922 earnings.

U. S. RUBBER

Large Bank Loans

Please give me your frank opinion of United States Rubber. I am interested in both the common and preferred stocks and am uncertain whether it is advisable to retain my holdings in view of the present condition of the tire industry.—A. G. M., Scranton, Pa.

It is quite true that the tire industry is not in a very prosperous state just now. There has been over production and this industry is suffering from the fact that there are too many companies in the field with a capacity production far in excess of the country's requirements. It is estimated that manufacturers are now holding over 7 million casings. Manufacture of tires constitute one-third of U. S. Rubber Co.'s business and, little if any, profit is anticipated from this end in the current year. Outside of tires the companys' business has been satisfactory. For the first six months, earnings were equal to $2.22 a share on the common stock. An unfavorable factor in the situation is the increase in the company's bank loans which now stand at $38.4 millions. With these big bank loans and the outlook for earnings uncertain no early dividend action on the common is to be anticipated and we consider that there are many other stocks in a better position to advance which in addition are paying dividends. A suggestion is that you switch Rubber common into Martin Parry paying $3 per share per annum and selling around 29. In view of the large bank loans the preferred dividend cannot be regarded as very secure although the probabilities are that the company will be able to maintain it. If you are willing to accept a slightly lower return on your investment for greater safety, we suggest a switch into American Water Works & Electric 7% preferred, selling around 90.

STEWART-WARNER

Stock Good Speculation

Please let me have a short analysis of Stewart-Warner Speedometer and your opinion of the stock.—D. B. M., New York City.

Stewart-Warner Speedometer is the most important factor in its industry, which is the manufacture of automobile accessories. Its most important products are the Stewart-Warner Speedometer and vacuum gasoline feed system, both of which are used by a very large percentage of automobiles manufactured in this country. In addition, the company has a diversified line of products, including motor horns, searchlights, bumpers, etc. The company appears to have very efficient management and has an excellent selling organization. The business of the company, of course, fluctuates with the activity in the automobile industry. Its speedometers and vacuum gasoline feed systems are largely sold to manufacturers, and when production of automobiles falls off, this business is naturally immediately affected. However, there is reason to believe that in the future the company's business will be more stabilized, due to the recent very large increase in what is called curbstone sales; in other words, sales direct to the car user after he has purchased a car. Business of this kind is not so much affected by a falling off in the manufacture of automobiles. The company earned $11.24 a share on the stock in 1922, and earnings for the first 6 months of 1923 were equal to $8.30 a share. The last six months, of course, is likely to show a falling off in view of the seasonal decline in the automobile industry in this period.

The company is entirely free of funded debt, capitalization consisting of 474,850 shares of common stock of no par value. The book value as of December 31st, 1922, after deducting patents, trade-marks, good-will, etc., is equal to $22.70 per share. Earnings for the past four years have averaged a little over $6 per share per annum. On the basis of past performance, therefore, and book value, the stock looks rather high at present levels, but there are many sound reasons for the belief that the company has developed an earning power that will continue to show a much larger balance for the common stock than was shown in previous years. Unless there is a very severe depression in the automobile industry, the present dividend of $10 per share appears reasonably secure and at present levels of 90, we consider the stock to have good speculative possibilities.

AMERICAN SMELTING

A Good Spec-vestment

Is American Smelting & Refining common stock a good semi-speculative investment at this time? As a 5% stock it gives a good return at 59. Is the present rate fairly secure?—M. M. H., St. Louis, Mo.

American Smelting & Refining for the first quarter of 1923, earned $3.65 a share on the stock, but this was before deducting anything for depreciation and depletion. However, for the full year, it is quite possible that the company will show its present dividend rate of 5% twice earned. In April, 1923, the company issued $10 million first mortgage 6% bonds, the proceeds to be used for extensive developments and additions to its

property, particularly installation in one of its coal mines of modern mining equipment and the erection of by-product coke ovens. Balance sheet as of December 31, 1922, showed that the company had a working capital of nearly 48 million dollars and this new financing in April has undoubtedly taken care of all the company's requirements for a long time to come. At present levels of around 59, this stock gives a very liberal yield as a 5% payer and we consider it an attractive spec-vestment. Under present conditions in the mining industry, the company should have no difficulty in maintaining this rate.

WHITE EAGLE OIL

Switch to Vivaudou Advised

Do you advise retaining White Eagle Oil in view of the present oil situation? How about a switch into something else?—J. K. N., Paxton, Ill.

White Eagle Oil Co. is a well-rounded organization and has a good record. The surplus production in California, however, has affected prices in the Eastern markets and as experts are of the opinion that this large production is likely to continue for some time, companies such as White Eagle may face a period of lower earnings. At this time, we consider it would be a good move on your part to switch out of White Eagle and purchase instead Vivaudou paying $2 per share per annum and selling around 18. We are impressed with the progress this management has made in increasing the business of the company and feel that an optimistic view of the future is warranted.

Inquiries on Public Utilities

RAPID TRANSIT PREFERRED

Dividend Being Earned

What is your opinion of Rapid Transit preferred stock as a long-pull investment?—A. H., Philadelphia, Pa.

Rapid Transit Co. 6% preferred stock "when issued" must be classed as speculative although as a speculation we consider it to have rather attractive long-pull possibilities. Earnings for the past two years have been sufficient to cover interest charges as they stand under the reorganization, the 6% dividend on the preferred stock and also leave something for the common. Of course, the speculative feature is due in large part to the political situation, which is continually bringing up situations tending to hamper the company. For any one who is willing to assume a certain amount of risk, and can afford to hold the stock for a year or two without any return, we believe the stock at present price of 34 offers a good opportunity.

PHILADELPHIA CO. COMMON

Yields 9.1%

My broker has advised me to purchase Philadelphia Co. common stock, which will give me 9% on my money. Is the $4 dividend fairly safe and do you think the stock is a good buy?—G. C., Pittsburgh, Pa.

Philadelphia Co. for the year ended December 31, 1922, earned $5.28 a share on the common stock and earnings so far this year have been substantially in excess of 1922 earnings and for the full year may show as high as $7 a share. Philadelphia Co. has made remarkable strides foreward in the past three years, particularly in the power end of its business, and while earnings will of course fluctuate to a certain degree with general industrial conditions there is good ground for the belief that the increased earning power of the company will be maintained. The stock can be rated as a good business man's investment and at present price of 44 where it returns 9.1% on the investment we consider it attractive.

MARKET STREET RAILWAY

6% Prior Preferred

Early this year I purchased on your advice 50 shares of Market Street Railway prior preferred stock at 66 and sold out at 79. Now that it is back to 66 again do you advise me to repurchase.—A. M., Newark, N. J.

Market Street Railway earnings continue on a satisfactory basis. So far this year they have been at the rate of about double dividend requirements on the 6% prior preferred stock. There are 10% back dividends due on this issue and in view of the earning power demonstrated by the company in the past two years we consider the stock a good buy at present levels.

SOUTHERN CALIFORNIA EDISON

Big Water Power Development

I am informed that on Sept. 7 there will be a meeting of stockholders of Southern California Edison to vote on increasing the capital stock from $100,000,000 to $250,000,000. As a holder of the common stock I would appreciate your opinion as to whether this big increase in capitalization is a development that may jeopardize the safety of the present 8% dividend rate.—M. M. H., Los Angeles, Cal.

Southern California Edison proposes to increase its authorized capitalization so that it will be in a position to raise additional funds to finance its big water power development in the Big Creek—San Jouquin district. Plans for ultimate development of power call for a total generating capacity of 1,407,000 h.p. in this district and will involve expenditures estimated at $350 millions by the end of 1940. Construction expenditures for 1923 call for $26 millions and by the end of the year the company expects to have a capacity of 498,700 h.p. There is no other source of cheap water power available to meet the present and future needs of central and southern California and the company is assured a market for all the additional power it will develop. While a larger capitalization will be necessary to finance this water power development, earnings in our opinion should more than keep pace with the increase, and in our opinion this expansion program does not jeopardize the safety of the present 8% dividend on the common stock. We consider the stock a good business man's investment and advise you to retain it.

PACIFIC GAS & ELECTRIC

Dividend Well Protected

What is your opinion of Pacific Gas & Electric? Would it be advisable to sell it now, or do you suppose I would do better by waiting?—V. L., Deal, N. J.

Pacific Gas & Electric Co. for the year ended December 31, 1922, earned 11.57% on the common stock, as compared with 8.34% in 1921. For the six months ended June 30, 1923, 5.52% was earned on the common. With earnings running at almost twice the present dividend rate of 6%, this dividend appears very well protected, especially as the company operates in a rapidly growing section and there is not much likelihood of any important falling off in business. The company is subject to the jurisdiction of the Railroad Commission of the State of California, and regulation of rates will probably operate against any important increase in earnings, but on a fair valuation of the company's properties an 8% return on the investment, which the commission allows, would be equivalent to more than the present earnings of the company. At present price of 81 the stock gives a return of 7.3%, which is liberal in view of the safety of the 6% dividend and the possibility that larger dividends will be paid in the future. We believe it advisable to hold the stock for a higher price.

DETROIT EDISON

Enlarging Facilities

Do you consider Detroit Edison stock a good investment holding? I have fifty shares and as the return is liberal I would like to hold it as a more or less permanent investment if the company has a well-assured future.—N. H. L., Hartford, Conn.

Detroit Edison has reported good earn-

SPECIAL REPORT DEPARTMENT

WE have had so many requests for special reports on lists of securities and for complete analytical reports on individual stocks and bonds that we have organized a Special Report Department to handle this work. Charges will vary with the amount of research work necessary but in all cases estimates will be submitted. A complete report on any stock or bond listed on the New York Stock Exchange will be supplied for $25. In analyzing lists of securities definite recommendations are made and desirable switches suggested. This new service does not in any way interfere with the present free service supplied by the Inquiry Department to subscribers which entitles them to a brief report on any three securities.

ings for a number of years and conditions point to a continuation of these good earnings in the future. Revenues have been built up by a policy of expansion to accommodate the needs of a rapidly growing industrial section. Practically all commercial plants in the Detroit district, with the exception of Ford, are being served by the company. Early this year the company sold $8.7 millions additional common stock of which $5 millions will be expended for the construction of the Trenton Canal plant. This new plant will soon have 100,000 k.w. capacity and ultimately will be able to furnish 300,000 k.w., nearly double company's present capacity. The company should have no difficulty in maintaining the 8% dividend on the increased stock as earnings this year have increased substantially, balance available for dividends for the first six months being 2.6 millions as compared with 1.7 millions in the first six months of 1922. For the full year 1922, the company earned $10.48 a share on the 34 million stock then outstanding, which compares with $10.17 a share earned on $28 millions stock outstanding in 1921. At present price of 103 the stock yields 7.76% which is a very good return for the stock of a company with as good a record as this one. We advise you to retain your shares.

From the location of these buildings we consider the outlook satisfactory for rentals of space. At the offered price of par to yield 6½% these bonds appear attractive, and we see no reason why you should not make an investment in them.

LOUISVILLE & NASHVILLE

1st & Refunding 5s

What rating do you give to Louisville & Nashville First Refunding 5% bonds, Series B, due 2003?—G. H. W., Long Island City, N. Y.

Louisville & Nashville 1st and refunding 5s Series B due 2003 we place in the gilt edge class. Total mileage covered by the 1st and refunding mortgage is 5,117 miles on 658 miles of which the mortgage is a first lien and on 2,656 miles of which it is a second lien. The company's outstanding mortgage indebtedness is at the rate of $36,000 per mile. Average annual income for the past 10 years has averaged more than twice the annual fixed charges. During this period approximately $60 millions of undistributed earnings and depreciation reserves was re-invested in the company's assets. These bonds are legal for savings banks in New York, Massachusetts and Connecticut. They are redeemable as a whole on October 1, 1938, or thereafter at 105 and accrued interest. At the offered price of 95½ to yield 5.25% we consider this issue an attractive high-grade investment.

New Security Offerings

KINGDOM OF NORWAY 6s

Yield 6.3%

From time to time I have noted that you have advised against the purchase of most foreign bonds. This new issue of Kingdom of Norway 6s yielding 6.3% seems attractive to me as there would appear to be little likelihood of Norway being involved in another foreign war should one break out? Will be glad to have your opinion of the issue.—T. R. K., Terre Haute, Ind.

The Kingdom of Norway bonds we consider among the most attractive of the European issues, for as you state, this country is not likely to be involved in war should there be further trouble in Europe. The $20 million 6% External Loan bonds due 1943 recently offered are a direct obligation of Norway and it is provided that, if in the future, Norway issues any other bonds secured by lien on any revenue or assets of the Kingdom the service of this loan shall be secured equally and ratably with such bonds. Norway is entitled to a high credit standing. No default of principal or interest has ever taken place on a Norwegian National Government loan. The total debt of Norway June 30, 1923, was $380 millions. Against this debt the state owns properties, mostly revenue producing, valued at $335 millions. At the offered price of 96½ to yield 6.3% we consider that this issue would make a desirable investment for a portion of your funds.

OKLAHOMA GAS & ELECTRIC

Business Man's Investment

Are the Oklahoma Gas & Electric 7% Notes now being sold at 98¾, to yield 7.5%, safe enough to warrant purchase for a business man's surplus funds?—C. S., White Plains, N. Y.

Oklahoma Gas & Electric $2.1 million 7% Mortgage Notes due 1926 are secured by a direct lien on the entire property of the company and also secured by a direct lien on the properties of the Southern Oklahoma Power Co. and subsidiaries, subject to existing mortgages. They are further secured by the deposit of $486,000 Bond Secured 8% Notes of the Oklahoma Gas & Electric Co. The value of the property is stated to be largely in excess of the total funded debt including this issue. Junior to these notes is $1.1 million 6% notes, $6.9 million 7% preferred stock and $4.6 common stock. Dividends have been paid on the preferred at full rate since 1904. Net earnings of the properties subject to the mortgage for the 12 months ended June 30, 1923, were 1.6 times interest charges. We consider this issue a good business man's investment.

PARK-LEXINGTON 6½s

First (Closed) Mortgage

Kindly let me have your advice in regard to making an investment in Park-Lexington Corporation 6½% bonds which are now being offered for sale.—S. K., Yonkers, N. Y.

Park-Lexington Corp. 5.5 million 1st mortgage 6½s, due 1953, are secured by a closed first mortgage lien on New York City leasehold with building thereon, appraised at 10.5 million by Douglas L. Elliman & Co. The properties consist of the 12 story office and exhibition building known as Grand Central Palace and the adjoining connected 20 story Park-Lexington office building recently completed as well as the leasehold rights in the land extending from 46th to 47th Street and from Park Avenue to Lexington Avenue upon which the above buildings are situated. The lease extends with renewal privileges to 1964 and may be further extended for 21 years unless the owner of the land buys the buildings. The buildings have an aggregate capacity of 14,400,000 cubic feet.

Present earnings available for interest and sinking fund on the basis of existing leases and applications for exhibition space are stated to be at the rate of more than twice the interest charge on this bond issue. Earnings should increase as only half the space in the new office building is rented due to recent date of completion. A sinking fund is provided that will retire the entire issue by maturity through purchase at or below redemption price (105 to 1929, 104 to 1935).

NORTH AMERICAN EDISON 6½s

Yield 6⅝%

Would like to have your opinion as to the desirability of making an investment in North American Edison Co. 6½% Series B bonds which are being sold at 98½. The yield of 6⅝% is a little higher than I am getting on my other bond holdings but I do not want to buy if there is much risk involved.—J. N., York, Pa.

North American Edison 6½% Series B bonds due 1948 are secured by collateral representing control of the Cleveland Electric Illuminating Co., Union Electric Light & Power of St. Louis and all the Wisconsin public utilities controlled by the North American Co. The value of these stocks, based on valuations of the properties, made for rate making purposes by the public utility commissions having jurisdiction and subsequent additions at cost, aggregates $38.9 millions, or 180% of all bonds outstanding or to be presently issued. Including cash, investments and other net assets not considered for rate making purposes, such value is stated as over 250% of the bonds. At the rates now being paid dividends on the pledged collateral amount to $3.2 millions per annum, or over 2.42 times annual interest requirements on the bonds outstanding and to be presently isued. Combined earnings available for dividends on the pledged collateral, after taxes and depreciation amounted to $6.4 millions for the year ended June 30, 1923. We do not feel that you would be assuming an undue risk in

(*Please turn to page* 844)

·SERVICE·SECTION·

TRADE TENDENCIES

Business Improvement Under Way

Continued Production-Volume Moving More Rapidly Into Consumption

STEEL

The Eight-Hour Shift

PRODUCTION in most lines is being maintained at about the rate of recent weeks, although buying interest has been keener and many makers report new business coming in in larger volume and for delivery dates as far as the end of the year. The railroad buying of the last month or so has continued to be an important factor in the volume of new orders.

The change from the twelve-hour to the eight-hour shift is being accomplished with very little friction, the wage arrangements in most cases amounting to splitting the difference in pay between laborers and company. The increased labor supply required by the three-shift system seems to be more easily obtainable than had been originally expected. The increased labor cost per ton of steel is being absorbed by the makers so far, but an effort will probably be made to pass it along to the consumer.

Price movements are irregular, some lines like scrap moving up sharply while sheet-makers are shading prices to get new business. The general average, however, looks better than for some time past.

Iron production is still in excess of consumers' demand, but new stacks are being blown out periodically, and a condition of equilibrium will probably soon be reached. Prices are being well maintained at the present level, and a revival of buying would find the present rate of output by no means excessive.

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1923 High	1923 Low	1923 Last*
Steel (1)	$46.25	$36.00	$41.25
Pig Iron (2)	31.50	24.00	24.50
Copper (3)	0.17½	0.14	0.14⅛
Petroleum (4)	4.10	2.75	2.75
Coal (5)	4.25	2.02½	1.88
Cotton (6)	0.31	0.22	0.24
Wheat (7)	1.38	0.97	1.02
Corn (8)	0.86¼	0.68	0.91
Hogs (9)	0.08½	0.07¼	0.08
Steers (10)	0.10¾	0.08¾	0.10
Coffee (11)	0.13	0.10½	0.10¾
Rubber (12)	0.37	0.25	0.28¼
Wool (13)	0.58	0.54	0.54
Tobacco (14)	0.24	0.18	0.24
Sugar (15)	0.08½	0.05½	0.05¾
Sugar (16)	0.10½	0.07	0.07½
Paper (17)	0.04⅛	0.03¾	0.04

* August 24.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 2 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

OIL

Effects of Price War

The gasoline price war which was started by the 6-cent reduction in South Dakota is proceeding merrily, Californian competition at seaboard towns adding fresh fuel to the blaze. Undoubtedly a good deal of "gas" is being below cost of production, if not below cost of replacement.

Foreign demand, which promised to be helpful in relieving the situation at one time, has died out again, and domestic buying is limited to the barest current requirements.

As a result of these developments the crude oil situation, which was thought to have reached a point of stability recently, has again been put in danger, and smaller refiners have posted lower prices for Mid-Continent grades. With refined products selling where they are, this movement will probably spread all the way around to most of the producing fields.

Efforts to restrict production, emanating from the side of the refiners, have met with little success, weekly figures having resumed the upward tendency which was interrupted when the prorating program was first announced. California production is said to be near the peak now, but there is no telling what drilling to the deeper sands may reveal.

Stocks of both crude and refined oil products are still around the peak, no satisfactory method having been devised to take them off the market.

LEATHER

Slightly Better Tone

The strength in hides, largely due to Argentine influences, which spread to American markets in recent weeks, has died down again. European buyers ceased to display interest in developments on this side of the Atlantic on finding that their purchases were putting prices up against themselves and leaving a competitive ad-

(*Please turn to page* 845)

THE TREND

STEEL—Production well maintained, prices in some lines advancing, notably scrap. New orders coming in slowly. Iron output in excess of current requirements.

OIL—Gasoline price wars having demoralizing effect; new series of price cuts in crude started. Efforts of refiners fail to hold back increasing production of crude.

COPPER—Better feeling prevails in foreign market, causing slight price advance. Domestic business still inadequate, but new orders beginning to come in.

TEXTILES—Cotton and silk maintain recent price strength, wool weaker on trade uncertainty, particularly in lighter weights. Finished goods reflect strength of raw materials.

COAL—Possibility of labor trouble stimulates buying, particularly in substitutes and bituminous, tending to reduce large stocks held near tidewater.

LEATHER—Hides quieter again, as European buyers moderate purchases. Leather business still dull, but signs of preparation for more active fall business in evidence.

SUMMARY: Some weak spots in the business situation are being eliminated, and readjustments to bring others into line are raising the general level of business activity and of prices. Buyers' tendency to hold back from the market wearing off, as retail business continues good, and dealers and manufacturers are compelled to replenish supplies. Uncertainty giving way to increasing optimism in many lines; fears of diminished agricultural purchasing power shown to have been heavily exaggerated.

School for Traders & Investors

Thirteenth Lesson

Points on Office Trading

STOCK speculation is commonly understood to mean buying or selling in the hope of profiting from a subsequent change of price. Few people, comparatively speaking, seem to realize that speculative commitments are made in two ways which differ, *inter se,* radically, and that the difference between them needs to be emphasized to the fullest extent, if satisfactory results are to be hoped for. The point of view, and the *modus operandi,* appropriate to the one method are, in point of fact, distinct in almost all respects from those that apply to the other.

A good deal of unnecessary loss is occasioned by failure to see this. The great majority of office habitués seem quite unaware that there is even the possibility of so differentiating their operations, much less do they realize that "trading" ideas and methods are, in reality, much less allied to speculation in a broad sense than is ordinary speculation akin to investment.

All traders are speculators; but only a small percentage of speculators are really "traders" at all. These articles are confined exclusively to the consideration of that special department of speculation which may be termed Office-Trading, i e., to those in-and-out operations which would seem to be the logical occupation of those who spend the market day at their brokers' offices, presumably for the purpose of observing price fluctuations in their technical aspects.

Considered from this point of view, the term speculation might well be restricted to those operations which are based upon investment considerations, and differ from investment principally in the sense that profit is expected from substantial price changes. Stocks are bought because they are "cheap," i. e., selling below value, present or prospective, and vice versa. In most cases they are relatively deliberate operatiôns.

The element of time required is not considered a vital matter, and the minor fluctuations of price, which may intervene before an expected move is completed are considered as merely incidental and measurably disregarded.

Office-trading is the opposite in nearly every respect. It means buying or selling for the purpose of obtaining an average profit from a relatively large number of separate (more or less temporary) commitments based upon the expectation of immediate (relatively small) price-changes. The element of time in which these changes of price occur is important, also their sequence, and they are regarded from the standpoint of their manipulative origin or as the result of momentary variations of supply and demand. The choice of stocks is considered chiefly in regard to their technical suitability for trading.

The speculator, consequently, undertakes operations involving more or less considerable risks of temporary loss, and hopes that no change in fundamental conditions may occur while he is waiting for his anticipations to materialize. If they do, or if his original judgment was wrong, he is obliged to take a relatively large loss. The result is that, even if generally successful, he does not usually secure a very large percentage of profit on average, in spite of the fact that he occasionally may make a "killing."

The trader takes no such chances. He limits his risk on each transaction, and acts on the assumption that if a trade does not make good as and when expected, he will take a small loss, every time, in preference to a large risk.

It will be seen that the office trader is concerned almost entirely with matters affecting price-making in their technical sense. His aim is to forecast the direction in which prices will move next, and he is very little interested in the reasons why, although he will not deliberately ignore indications of forthcoming changes.

It is a matter of common knowledge that the out-of-town trader, so called, is apt to succeed better on the whole than the office trader. This is chiefly due to the fact that the out-of-town trader is a speculator who is forced by his conditions to speculate along more or less sensible speculative lines, and is not distracted by numerous matters that only concern the office trader. On the other hand, the few office traders who do succeed can show results far exceeding any that are within the reach of out-of-town speculating.

The possibilities of office trading are so great that it is not surprising that a large number of men spend every business day in their brokers' offices, with the intention of "making a business of it." I do not think the usual ill-success of these people can be attributed altogether to lack of intelligence or disinclination to work, although this last is unquestionably a very prevalent complaint. More of them would succeed if the real nature of office trading were better understood and its technique studied from the proper angle. In most cases they seem to be trying to combine two incompatible things, and made trading commitments based on speculative reasoning.

Office Trading As a Business

IT is absurd to adopt any career without first counting the cost. A man proposing to engage in any ordinary business for himself necessarily considers his circumstances, weighs his chances of success, and takes into consideration what return he may expect if he be reasonably successful. It does not seem to be generally realized that such determination can be made in regard to office trading.

As a matter of fact, however, it is probably easier to do so than it is in the case of most businesses. The stock trader does not have to consider the matter of competition. He can do as much or as little business as his circumstances warrant, and at such times as suit his convenience, and his results will be limited only in proportion to his skill. Stock trading is a highly specialized, technical business. As in all such, the results depend considerably upon the personal aptitude of the trader and the thoroughness of his training.

Office trading as a business offers one advantage which is unique—if the trader is obliged to stop trading temporarily he will find the market and its opportunities there and unimpaired when he returns, and he will lose nothing but time while unemployed. Moreover, it is perfectly easy to engage in it to the exact degree warranted by the extent of his available funds. He can enlarge or diminish the scale of his operations as and when he will. As a money-making pursuit it is, *potentially,* the most profitable there is. Almost every trader laughs at the idea of a fractional profit. So far is this from being the true way of looking at the matter that a trader has really "arrived" when he can average not less than ⅛ of a point a day net profit. Upon this basis, and assuming forty weeks as a season's work, this represents at least 100 per cent on the amount of capital which such a trader should ordinarily find sufficient.

Traders are subject to the same con-

(*Please turn to page* 870)

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-1922		1923		Last Sale	Div'd $ per
RAILS:	High	Low	High	Low	High	Low	High	Low	Aug. 23	Share
Atchison	125⅜	90¼	111⅛	75	108½	91⅜	105⅛	94½	[illegible]	6
Do. Pfd.	106¼	96	102⅛	75	95½	72	90⅝	86⅞	87⅜	5
Atlantic Coast Line	148½	102½	126	79⅞	124⅞	77	127	109⅞	112⅝	7
Baltimore & Ohio	122¼	90⅝	96	83¼	60¼	27⅝	56⅛	40⅛	49	..
Do. Pfd.	96	77¼	80	48¼	66⅛	38½	60⅜	55⅜	‡57⅜	..
Canadian Pacific	283	165	220⅛	126	170⅞	101	160	140¼	144	10
Chesapeake & Ohio	92	51⅛	71	35⅝	79	46	76⅜	57	59⅜	4
Ches. & Ohio Pfd.	..	..	..	..	105⅜	100⅜	104⅞	97	‡97½	..
C. M. & St. Paul	165⅜	96⅜	107⅜	35	52¾	16½	26⅜	14⅛	16⅜	..
Do. Pfd.	151	130½	143	62½	76	29	45½	24⅛	25⅞	..
Chicago & Northwestern	198⅜	123	136⅞	85	105	59	88	61⅝	66	5
Chicago, R. I. & Pacific	..	..	45¾	16	50	22⅝	37⅞	19¼	‡22¼	..
Do. 7% Pfd.	..	..	94¾	44	105	64	95	78	‡78	..
Do. 6% Pfd.	..	..	80	35⅜	93⅜	54	85	60⅞	‡69	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	124½	93¼	105⅜	9
Delaware, Lack. & W	340	192½	242	160	260½	93	130½	110½	‡115½	6
Erie	61⅛	33½	59½	18¾	21⅜	7	13⅝	10⅛	14⅞	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	11⅛	22⅞	15	24⅞	..
Do. 2nd Pfd.	39⅜	19½	45⅝	13⅛	23¾	7⅛	16½	10¾	18	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	60	60	51½	54⅛	5
Illinois Central	162⅛	102¾	115	85¾	115¾	80⅞	117½	105	105½	7
Kansas City Southern	50¼	21⅜	35⅛	13½	28⅞	13	24⅞	15⅜	17	..
Do. Pfd.	75½	56	65½	40	59½	40	57¾	50½	‡50½	..
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39⅜	71⅜	54	60⅝	3½
Louisville & Nashville	170	121	141⅞	103	144⅞	94	155	85½	87½	..
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¾	17	10	11⅛	..
Do. Pfd.	78¼	46	60	6½	*48¾	*2	45½	25	20	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	19⅜	9	9⅞	..
Do. Pfd.	..	..	64⅞	37½	63¼	33⅜	49	25⅛	27⅛	..
N. Y. Central	147¾	90⅜	114⅛	62½	101⅛	64⅛	104⅛	90½	98½	7
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23⅜	78⅛	66	‡69	..
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	12	22½	9⅝	12⅛	..
N. Y., Ont. & W	55⅝	25⅛	35	17	30½	16	21⅝	16	18	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	125⅛	84¼	117⅝	100	‡100	7
Northern Pacific	159½	101⅜	118⅞	75	99⅞	61¼	81½	54½	57½	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	47⅜	41½	43	3
Pere Marquette	*36½	*15	38⅛	9½	40⅜	12⅛	47¼	36	43⅛	4
Pitts. & W. Va.	..	..	40⅛	17¾	94	21⅛	50⅝	33⅞	41½	..
Reading	89⅛	59	115½	60⅛	108	60¾	81½	68½	75¾	4
Do. 1st Pfd.	46¼	41⅛	46	34	61	32⅞	56½	44	53	2
Do. 2nd Pfd.	58¾	42	52	33⅜	65½	33¼	56¾	49½	52½	..
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	27	17	‡18½	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	36⅜	25½	27½	..
Southern Pacific	139⅜	83	110	75¾	118⅛	67½	95¼	84¼	87¾	6
Southern Ry	34	18	36¾	12½	33¼	17⅛	37¾	24¾	32¾	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	70⅞	64	67⅜	..
Texas Pacific	40½	10¼	29½	6½	70½	14	29½	14	15⅝	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	144⅞	124½	129⅜	10
Do. Pfd.	118½	79¾	86	69	80	61¼	76½	70⅞	73	4
Wabash	*27⅞	*2	17½	7	14⅜	6	11½	8⅛	9	..
Do. Pfd. A	*61¼	*6⅛	60½	30⅞	38	17	34⅛	23¼	26⅞	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	22½	16½	‡17½	..
Western Maryland	*56	*40	23	9¼	17¼	8¼	15	9	9¾	..
Western Pacific	..	..	25½	11	40	13⅜	20¼	15	16⅜	..
Do. Pfd.	..	..	64	35	78	51½	63⅜	53	59½	..
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	10⅝	6¼	6⅞	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	82	68	‡69½	..
Allied Chem.	..	..	..	..	91⅜	34	80	59¼	65¾	4
Do. Pfd.	..	..	..	..	115½	83	112	106	‡106	..
Allis-Chalmers	10	7⅛	49⅛	6	59¾	26½	51¼	37¾	43	4
Do. Pfd.	43	40	92	32½	104	67½	97½	90¼	‡90½	..
Am. Agr. Chem.	63⅝	33½	106	47¾	113¾	26½	36⅞	10⅛	‡11⅜	..
Do. Pfd.	105	90	103½	89⅛	103	51	68⅞	31	‡31	..
Am. Beet Sugar	77	19¾	103½	19	103¾	24½	49½	25	28	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	60	29½	‡32¾	..
Am. Can	47⅜	6⅞	68½	19¾	76½	21⅜	106	73½	99⅛	5
Do. Pfd.	129¼	98	114½	80	113⅞	72	115	106¼	108	7
Am. Car & Fdy	76½	36½	98	40	201	84⅛	189	148¼	‡164	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¾	125⅞	119¼	‡121	..
Am. Cotton Oil	79¼	33½	64	21	67½	14¾	20¾	3¾	6⅞	..
Do. Pfd.	107½	91	102¼	78	93	33½	38¾	14	20	..
Am. Express	300	94¾	140½	77½	175	70	143¼	93	‡93	..
Am. Hide & Leather	10	8	22⅛	2½	43⅛	5	13¾	6⅛	8⅛	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	35	73¾	39½	42	..
Am. Ice	..	..	49	8⅞	122	37	111½	87¾	96	7
Am. International	..	..	62¾	12	132¼	21⅛	33½	16½	19	..
Am. Linseed	20	6⅞	47¾	20	95	17¾	38	17	‡19	..
Am. Loco.	74¾	19	98¼	46⅝	136¾	58	75¼	64¾	74⅛	6
Do. Pfd.	122	75	109	93	122¼	96½	122	115	‡113	..
Am. Safety Razor	..	..	..	..	22	3½	9⅛	4⅞	5⅛	.50
Am. Ship & Com.	..	..	..	..	47½	4⅛	21⅜	11⅜	‡11¼	..
Am. Smelt. & Ref.	105½	56⅜	123⅜	50¼	89¾	29⅛	69½	53	58½	5
Do. Pfd.	113¼	98⅛	118⅛	97	109⅜	68¼	102⅜	95¼	‡95	..
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅞	31⅜	35½	3
Do. Pfd.	..	..	..	..	107	78	105¼	98	‡97	..
Am. Sugar	136⅜	99⅞	126⅜	89⅛	148⅜	47⅜	85	57	59⅝	..
Do. Pfd.	133½	110	123½	106	119	67½	103¾	100⅛	102½	7
Am. Sumatra Tob.	..	..	145¾	15	120½	23¼	36⅜	16	20⅞	..
Do. Pfd.	..	..	103	75	105	52¼	65¾	30¾	‡30⅞	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	128⅛	92⅛	125½	119⅛	123¼	9
Am. Tobacco	*530	200	256	123	314½	104⅛	161¾	140¼	146¾	12
Do. B	..	..	..	..	210	100⅛	159¾	140	144½	12
Am. Woolen	40⅝	15	60⅞	12	169½	55½	109⅞	80½	86	7
Do. Pfd.	107¾	74	102	72½	111⅛	88½	111⅞	98⅝	101½	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	53½	38	41⅛	3
Associated Dry Goods	..	..	28	10	68¾	48	89	62⅛	82⅜	4
Do. 1st Pfd.	..	..	75	50½	86	49⅞	89	62½	85¼	..
Do. 2nd Pfd.	..	..	49½	35	91½	38	93½	86	‡86	..
At. Gulf & W. I.	13	5	147¾	4½	192⅝	18	34	14	14	..
Do. Pfd.	32	10	74¾	9⅞	76½	15¾	27	12	‡12	..
Baldwin Loco.	60¾	36⅛	154½	26⅝	156¼	62¼	141¼	110¼	121⅞	7
Do. Pfd.	107½	100¼	114	90	118	92	116¾	111	‡113	..
Bethlehem Steel B	*51⅝	*18¾	155½	59¾	112	41⅛	70	41¾	‡52⅛	5
Do. 7% Pfd.	80	47	186	68	108	87	97½	87	‡91½	7
Do. 8% Pfd.	..	..	110½	92½	116⅝	90	111¼	100¼	‡104	8
Burns Bros. A	45	41	161½	50	147	76	144¾	108	‡107	10
Do. B	..	..	..	..	53	43	43	22	23¾	2

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1922 High	Low	1923 High	Low	Last Sale Aug. 23	Div'd $ per Share
Calif. Packing	..	..	50	30	87½	48¼	87	79½	‡80½	..
Calif. Petro.	72½	16	42⅝	8	71⅞	15¾	29⅜	17¼	19⅞	1¾
Calif. Petro. Pfd.	95½	45	81	29½	98½	63	110½	94¾	98	..
Central Leather	51¾	16½	123	25⅞	116½	22½	40½	13½	18	..
Do. Pfd.	111	80	117½	94⅞	114	57½	79¾	40¾	45½	..
Cerro de Pasco	..	..	55	25	67½	23	50½	36⅝	40¼	4
Chandler Mot.	..	..	109⅞	56	141¼	38¾	76	46½	53¼	6
Chile Copper	..	..	39¼	11¾	29¼	7¼	30⅜	24⅛	27¼	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	16⅜	31⅜	16⅜	..	..
Coca Cola	..	..	..	..	82¾	18	83⅜	72⅝	78½	7
Colum. Gas & E.	..	..	54⅛	14¾	114⅞	39¾	37¼	30¼	35	2.60
Columbia Graph.	..	..	*166	*97	75¼	1¼	2⅞	¼	⅞	..
Consol. Cigar	..	..	..	..	80	13½	39⅜	18	22⅞	..
Con. Gas	*165¼	*114½	*150½	*112½	*145¾	*71¾	69⅝	56¾	62	5
Corn Prod.	26½	7⅜	50½	7	134¾	46	139¼	114⅜	127½	7½
Do. Pfd.	98½	61	113½	88½	122¾	96	122⅜	116¼	‡119	..
Crucible Steel	19⅜	6½	109⅞	12¼	278½	49	84¼	57⅞	66⅝	4
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅜	20	8½	10⅝	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	37⅜	23	25⅞	..
Endicott-Johnson	..	..	..	..	150	44	94¼	62½	‡68	5
Do. Pfd.	..	..	..	..	119	84	118	111	‡114	..
Famous Players	..	..	..	..	123	40	93	65¼	71½	8
Do. Pfd.	..	..	..	..	107⅜	66	99¾	85½	87	8
Freeport Tex.	..	..	70½	25¾	64⅜	9½	22	9½	12	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	32½	54	23	27½	..
Gen'l Electric	188½	129¾	187¼	118	190	109½	190⅛	170½	179	8
Gen'l Motors	*51¼	*25	*850	*74½	42	8⅛	17½	12¼	15½	1.20
Do. 6% Pfd.	..	..	99½	72¾	95	63	89	80½	‡80½	..
Do. 6% Deb.	..	..	..	..	94⅜	60	90	81	‡80½	..
Do. 7% Deb.	..	..	..	..	100	69	105	96¾	‡97	..
Goodrich	86½	15½	80¼	19⅜	93⅜	26⅜	41⅛	20¾	23½	..
Do. Pfd.	109¾	73¾	116¾	79⅞	109½	62½	92½	80	‡80	..
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	36	25	30¾	2
Houston Oil	25½	8¼	86	10	116½	40½	78	40¾	‡45	..
Hudson Motors	..	..	..	..	26⅜	19½	32¾	20	27¼	3
Hupp Motors	..	..	11⅜	2½	26¼	4⅝	29½	16⅞	20¾	1
Inspiration	21⅜	13⅞	74¾	14¼	68⅞	28	43¼	28¾	‡28¾	..
Inter. Mer. Marine	9	2⅛	50⅞	⅜	67¾	7⅛	11⅝	5⅜	..	..
Do. Pfd.	27⅜	12½	125⅜	8	128½	36	47	18½	..	3
Inter. Nickel	*227¼	*135	57½	24½	33⅞	11⅛	16¼	11⅛	13	..
Inter. Paper	19¾	6½	75½	9½	91¾	30¾	58⅝	30¾	34¼	..
Invincible Oil	..	..	..	..	47¾	5½	19¼	8	8½	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	62⅜	29	31¾	..
Do. 8% Pfd.	..	..	101	72	110¼	70¼	108	93	‡94	..
Kennecott	..	..	64¼	25	43	14⅛	45	32	34⅝	3
Keystone Tire	..	..	46½	11	126¾	4¼	11⅛	4	4⅜	..
Lackawanna Steel	55½	28	107	26½	107¾	32	..	..	..	..
Lima Locomotive	..	..	..	..	65⅜	52	74⅞	58¼	65¼	4
Loews, Inc.	..	..	..	..	38⅜	10	21¼	14½	15½	..
Loft, Inc.	..	..	..	..	28	7¾	11¾	6⅛	‡6⅛	..
Miami Copper	30¼	12¾	49⅜	16½	32¾	14⅜	30½	22½	‡24	2
Middle States Oil	..	..	..	..	71¾	10	12¼	5⅛	5½	1.30
Midvale Steel	..	..	98½	89½	62¼	22	33⅜	26¼	27	..
Nat'l Lead	91	42½	74⅜	44	129¼	63½	136¾	108	122½	8
N. Y. Air Brake	98	45	136	55⅞	145¾	45⅛	41	26⅝	33½	1
N. Y. Dock	40¼	8	27	9¼	70¾	16¼	27	16	‡16	..
North American	*87⅞	*60	*81	*38⅞	100¾	32¼	24¼	17½	21⅞	2
Do. Pfd.	..	..	..	..	47¼	31⅞	48½	42½	‡44¼	3
Pacific Oil	..	..	..	..	69⅜	27½	48⅞	31½	33	2
Pan. Amer. Pet	..	..	70¼	35	140¼	38⅛	93½	54⅛	59⅞	8
Do. B	..	..	..	..	111¾	34½	86	51	58⅛	8
Philadelphia Co.	59¾	37	48⅞	21½	48	26½	50¼	41	44¾	4
Phillips Pet	..	..	..	..	59¼	16	69⅝	20½	23¼	2
Pierce Arrow	..	..	65	25	99	9⅛	15¼	6¼	10¾	..
Do. Pfd.	..	..	109	88	111	18⅞	35⅝	13½	25¼	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅜	45	67⅞	58	‡60¾	4
Pressed Steel Car	56	18½	88¼	17¼	113¾	48	81½	49	56	..
Do. Pfd.	112	88½	109⅛	69	106	83	99¾	86	89½	..
Punta Aleg. Sug	..	..	51	29	120	24⅜	69¼	41⅞	‡47¼	..
Pure Oil	..	..	143⅞	31⅞	61⅞	21½	32	16⅝	16⅝	1½
Ry. Steel Spg	54½	22¾	78½	19	126¼	67	123	100	‡105	8
Do. Pfd.	113⅜	90¼	105½	75	120	92½	..	..	‡110	..
Ray Cons. Cop.	27½	7½	37	15	27½	10	17¼	10	11¼	..
Replogle Steel	..	..	..	..	93½	18	31¾	9⅞	12½	..
Republic I. & S.	49½	15¾	96	18	145	41⅛	66¼	40⅛	47⅝	..
Do. Pfd.	111¼	64½	112⅜	72	106¾	74	96⅞	86	92½	7
Royal Dutch N. Y	..	..	86	56	123⅜	40½	55⅛	40½	44⅜	3.46
Shell T. & T	..	..	..	..	90¼	30⅞	41¼	30½	‡31	..
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16½	39⅜	19⅜	20¾	2
Stand. Oil N. J	*448	*322	*800	*355	*212	38⅜	44¼	30⅞	33⅛	1
Do. Pfd.	..	..	..	..	120	100⅛	118¼	115	116	7
Stromberg Carb	..	..	45¼	21	118¼	22⅛	94¼	59½	70	7
Studebaker	49½	15¾	195	20	151	37¾	126⅜	98¼	106¼	10
Do. Pfd.	98⅛	64½	119½	70	118¼	76	114¼	112	‡113¼	..
Tenn. Cop. & Chem.	..	..	21	11	17⅛	6¼	12¾	8	8⅞	1
Texas Co.	144	74½	243	112	57⅜	29	52⅞	39¾	41½	3
Tex. Pac. C. & O	..	..	..	..	195	15¾	24¾	7½	8¼	1
Tobacco Prod.	145	100	82⅜	25	115	45	61½	46¾	55¼	..
Transcontl. Oil	..	..	..	..	62⅜	5⅜	14½	3⅝	4⅛	..
United Fruit	208½	126½	173	105	224⅞	95¾	183	152½	‡171	..
Un. Retail Stores	..	..	..	..	119¼	43½	84⅛	64⅜	76¾	3½
U. S. Ind. Alco	57¼	24	171½	15	167	35¼	73¼	40	48⅜	..
U. S. Rubber	59½	27	80½	44	143¾	40½	64⅞	35½	40	..
Do. Pfd.	123½	98	115¼	91	119½	74	105	88¼	94¾	8
U. S. Smelt. & R.	59	30⅜	81½	20	78¼	26	43⅜	20	24¼	..
U. S. Steel	94⅞	41¼	136⅜	38	115½	70¼	109⅝	85½	91½	5
Do. Pfd.	131	102½	123	102	117½	104	123½	116⅛	117¼	7
Utah Copper	67½	88	130	48½	97½	41⅛	76½	56	60	4
Vanadium	..	..	..	..	97	25⅛	44⅝	24¾	31⅝	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	20¾	27	6¼	8⅛	..
Do. Pfd.	129½	62	115⅜	80	115⅞	57¾	69	17	‡23	..
Western Union	86¼	56	105½	53⅜	121¼	76	119½	101⅛	105⅞	7
Westinghouse Mfg	45	24¾	74⅞	32	59⅞	38⅞	67⅛	52½	58⅞	4
White Motors	..	..	60	30	86	29¼	60⅞	45	50	4
Willys Overland	*75	*50	*325	15	40¼	4½	8½	5	7	..
Wilson Co.	..	..	84¼	42	104⅞	27¼	42¾	20½	‡21	..
Woolworth	177⅜	76⅜	151	81½	223	100	255	199⅛	251¼	8

† Bid price given where no sales made.

ANSWERS TO INQUIRIES

(*Continued from page* 838)

purchasing. At offered price of 98½ they appear to offer a very good investment opportunity.

RADIO CORPORATION
Outlook for Common

Last year Radio Corporation common stock was recommended to me as a good speculation but I have not made any money in it yet. What do you think of it? Are dividends fairly close?—G. L., Cranford, N. J.

Capitalization of Radio Corporation of America consists of $19,779,870 7% preferred stock of a par value of $5 and 5,734,000 shares of common stock of no par value. The preferred stock becomes cumulative January 1st, 1924, and no dividends have been paid on it as yet. For the year December 31, 1922, the company reported after deducting expenses, depreciation, etc., net income of $2,974,580, all of which was appropriated for amortization of patents and writing off of organization expenses. After allowing for the 7% to which the preferred stock is entitled before the common can receive anything, these earnings are equivalent to 27 cents a share on the common stock. It is reported that earnings of the company for the first quarter of the current year exceeded those of the same period in 1922. However, the company will be able to use its surplus funds for some time in expanding its business and dividends on the common stock do not appear close at hand. We do not feel, therefore, that the common is likely to have any important early appreciation in value although if held for three or four years, it may show improvement in price due to the growing popularity of radio receiving sets, and the company's steady expansion in long distance wireless.

AMERICAN CAR & FOUNDRY
A Strong Company

Last Spring I bought 25 shares of American Car & Foundry stock at over 170. Recently it went 20 points against me and now that it has recovered to 164 I thought I would ask your opinion of the stock and whether I had better take my loss or continue to hold.—A. B. N., Wilmington, Del.

American Car & Foundry for the year ended April 30, 1923, earned $13.71 a share on its stock which was slightly less than the preceeding year when $14.94 a share was earned. For the first six months of the company's fiscal year, however, the equipment industry was not very active and this accounts for the earnings not showing up better. At the present time, the company's business is in excellent condition, some of its plants are booked at capacity through the year and others have sufficient business to keep them at practical capacity into the fourth quarter. There is every reason for the belief, therefore, that American Car & Foundry will make a much better showing in the current fiscal year. This is one of our strongest industrial companies. It has set aside a reserve for common dividends which is equivalent to payment at the rate of 12% per annum for three years. It is our opinion that the recent decline in the stock was due entirely to general market conditions and did not in any way reflect any weakness of the company itself. The trend of the market is now upward and it seems advisable to retain the stock for a higher level.

MOON MOTORS—PURE OIL
A Profitable Switch

A few months ago you advised me to switch from Pure Oil into Moon Motors. While the latter stock is a little under my purchase price Pure Oil has gone considerably lower, so that the switch is several points in my favor. Do you think it would now be a good idea to switch back into Pure Oil in view of its low price—A. A. M., Cortland, N. Y.

We are glad to know that your switch from Pure Oil into Moon Motors has worked out profitably. We feel that in the long run you will do better with Moon, and do not advise switching back into Pure Oil. Moon Motors is a small company, but its car appears to be growing in popularity and the company has opened many strong new agencies since the first of the year. Earnings for the first six months of 1923, were equal to $3.50 a share. The company is in excellent financial condition. Another point to consider in regard to Moon Motors is that this company manufactures an assembled car and its plant overhead is relatively small. In other words, should there be a falling off in the automobile industry of considerable proportion, Moon can cut down its production greatly and still show a fair profit, as big overhead does not eat it up.

HOUSEHOLD PRODUCTS
Low Asset Value

Household Products stock, paying $3 per share per annum and selling around 30, gives a very large return. Do you consider it too speculative to buy as a business man's investment? If so can you suggest something else that gives a liberal yield that you would class as a "good business man's investment?"—H. A. D., Erie, Pa.

Household Products Co. business consists of the manufacture and sale of Chas. H. Fletcher's Castoria. Sterling Products, Inc., has purchased a one-fourth interest in the company and has assumed the management. Earnings in 1922, after deducting taxes, were $1,903,504. Capitalization consists of 500,000 shares of no par value. Balance sheet as of December 31, 1922, shows fixed assets of $199,533 and net current assets of $1,108,000. Trade-mark, good-will, etc., are carried at $14,000,000. Exclusive of the good-will item, the book value of the stock therefore is around $2.75 a share. With its small asset value, we consider the stock decidedly speculative although, of course, under able management it may be able to show an earning power that justifies its present price. We consider American Steel Foundries paying $3 per share per annum and selling around 35 a sounder security.

SIZING UP THE BUSINESS SITUATION

(*Continued from page 788*)

final conclusion it must be evident that any small percentage of error in the graph cannot have a very appreciable effect on the final result.

An Illustration

Let us return once more to the railroad gross earnings, upon which a figure of 15% unfavorable was placed and a figure of 85% favorable. In the writer's estimation, the item could not have been granted a 100% value because of the influence of such unsettling factors as the labor situation, possibility of Governmental action, increase in commodity costs, with a rise in operating costs, etc., etc. Despite the phenomenally high record of traffic hauled and wonderfully fine record of earnings, the writer has felt bound to consider the unfavorable elements in the situation so as to give a more completely accurate picture than he could have otherwise done. The same process has been used in arriving at the figures for each of the other items. Space does not permit a detailed explanation as to how each of the other individual figures was reached but a little study by the writer of the figures presented will undoubtedly appeal to him as being fairly accurate under the circumstances.

While it has not been the intention to discuss the business outlook in this article, that being fully covered in the graph, it is well worth noting that the factors contributing to strength in the situation are about twice as strong as those contributing weakness. This compares favorably with the situation a year ago, a feature which may be of considerable surprise in view of the prevailing doubt concerning the business outlook. **In any case, it is a sign that the excessive pessimism of the past few months has not been altogether justified from a purely business viewpoint.**

TRADE TENDENCIES

(*Continued from page 839*)

vantage to tanners who laid in their hide supplies earlier.

The leather trade has been more spotty, some centers showing sharply the influence of the coming fall seasons while others report insufficient demand. All, however, complain of the increasingly inadequate spread between rising hide prices and stationary leather prices.

Footwear is rather dull, except in some sections of the West, and manufacturers are starting their fall campaign earlier than usual in the attempt to secure business. Children's school shoes seem to be the one line moving fast, and the popularity of fancy and patent-leather low cut shoes for women shows no signs of diminishing. In general, the West is showing a better tone in the leather business than the East, but activity is on the increase in all sections.

HOW THE LEADING WESTERN ROADS COMPARE

(Continued from page 799)

has been for several years and still is in very perilous circumstances. It has no appreciable outside income such as the Hill roads possess, and net revenues from its own operations have proven small. Deficits during the last few years have hurt its cash position, and as measured by the prices at which its junior bonds are now selling, its credit is poor.

A ponderous weight now hanging over the company is the 48 million dollar bond issue maturing in 1925. If these bonds are to be successfully refunded there must be an improvement in earnings during the interval. The St. Paul's ability to provide for these obligations will prove the supreme test of whether it is to stand or fall.

What reason have we to anticipate that this once strong railroad will recover from the financial malady from which it is now suffering? Earnings for the first six months of 1923 are so far ahead of those for the same period of last year as to shed quite a ray of light. Net income of $6,669,000 compares with $1,617,000 for the first half of 1922. If this pace can be maintained for the balance of the year fixed charges of about $20,000,000 would be more than covered.

Although the St. Paul may avoid showing red figures this year, it is not probable that the rate of improvement will continue uninterruptedly. In view of the approaching maturity it is unwise to be overly sanguine. It appears that the 4% bonds coming due in 1925 will have to be extended for a short period at a higher rate of interest in order to give a further breathing spell. The New Haven did this successfully a year ago and St. Paul may have to follow this precedent. The willingness of the bondholders to accede to whatever terms are necessary to keep the road solvent would in this event be the determining factor.

The Southern Transcontinentals and Their Outlook

Position of Atchison and Southern Pacific

In no respect do the two southern lines offer the same dismal picture that the northwestern group presents. Railroad facilities are not nearly as far in advance of the development of the country in California as in the states to the north. Competition for the available traffic has not been quite as keen. There are not as many expensive terminals to maintain, and freight moves in more solid trainloads which do not have to be broken up at the various traffic centers. These factors keep down the operating ratio. Both Atchison and Southern Pacific were highly successful in 1922 and the current year has so far proven even more productive from an earning standpoint.

THE ATCHISON

The Atchison has always been a very well maintained road. It was not injured by the undermaintenance during the war period to the same extent that many other systems were.

With the exception of a few short stretches it is double-tracked all the way to the Coast. Additions and betterments have been financed mainly out of earn-

COMPARISON OF LEADING WESTERN ROADS

COMPARISON OF OPERATIONS OF FIRST FIVE MONTHS, 1922-1923.

(In Thousands)

	Gross Revenues	(%)	Operating Expenses	(%)	Net Oper. Income	Net Op. Inc., '22
Great Northern	$42,350	+26	$37,457	+29	$2,476	$2,208
Northern Pacific	38,345	+14	34,234	+13	3,230	1,137
St. Paul	69,588	+21	57,873	+13	5,357	402
Union Pacific	76,877	+12	58,991	+11	11,975	8,732
Atchison	80,290	+19	57,658	+ 6	17,591	8,796
Southern Pacific	108,411	+11	82,946	+10	16,358	12,048

PERCENTAGE OF GROSS REVENUES

(First Five Months)

	On Maintenance		On Transportation	
	1923	1922	1923	1922
Great Northern	38%	36%	46%	44%
Northern Pacific	40%	41%	43%	42%
St. Paul	37%	40%	40%	40%
Union Pacific	36%	36%	33%	34%
Atchison	36%	43%	32%	33%
Southern Pacific	34%	34%	35%	37%

Showing Higher Transportation Expenses of Northwestern Roads.

ings. Since 1915 over $125,000,000 has been put back into the property. Practically no increase in capitalization has taken place in recent years. Meanwhile earning power has been steadily expanding.

Instead of the possibility of dividend reductions which have been hinted at in connection with the Hill roads, we have had rumors concerning the likelihood of Atchison increasing its rate. It is now paying 6% and last year earned double that figure. Net income so far this year is ahead of 1922, so that higher disbursement would be easily within the company's ability. The conservatism of the management makes it problematical whether a higher payment is to be expected. **In any event, the current 6% rate is extremely well secured.**

SOUTHERN PACIFIC

Southern Pacific, even though stripped of its oil properties, has suffered little diminution of income. Besides its rail lines it operates steamers from New York to Galveston, thereby enabling it to handle a shipment from coast to coast. On traffic moving over this route it has experienced considerable competition from the Canal. Its total revenues, however, are now extremely high and operating expenses have not increased in anything like the same proportion.

Although its earnings per share are below those of the Atchison its dividend rate is the same. There is less chance of an increase but current income at the rate of $11.05 per share indicates a large margin over present requirements.

UNION PACIFIC AND ITS DIVIDEND

Outlook for the Stock

The Union Pacific possesses certain characteristics of the northern group and in other respects resembles Atchison and Southern Pacific. Its subsidiaries, the Oregon Short Line and the Oregon & Washington R. R. & Navigation Co., operate in the northwest. Its main line connection with the Southern Pacific System at Ogden shares in the traffic moving to and from California. The latter route is the most direct to the Pacific Coast.

The Union Pacific pays the highest dividend of any large railroad in the United States. Its 10% rate has been maintained since 1917. It is not only an operating company, but also the holder of vast outside investments, mainly in other railroads. Its income from the latter source takes care of the greater part of its fixed charges, so that most of its own earnings are applicable to dividends.

Income is now running well in excess of dividend requirements. Even in 1921, a year of small traffic, the amount available was over $12 per share. Net operating income for the first half of the current year is far ahead of 1922. **Even making allowance for a moderate falling off in traffic below the present peak, the 10% rate does not appear in danger. At current levels the yield is 7.80% and the return seems reasonably well secured.**

Current Bond Offerings

Market a Little More Active—The Norway Issue

THERE was a slight increase in the volume of new business done in the new securities market. This, however, is less significant in view of the dearth of business in the preceeding two weeks on account of the national mourning that took place in that period.

A feature of the situation is the fact that shelves have been more or less completely cleared and that dealers are in a much better position to take on new business than has been the case recently. It is worth noting, however, that some of these issues have been moved only through means of offering prices, in some case, substantially below those originally offered. In other words, dealers have evidently thought it worth while to offer their goods at concessions.

The Kingdom of Norway Issue

The feature of the past two weeks' offerings was the $20,000,000 loan to the Kingdom of Norway. These bonds carry a coupon of 6% and were offered at a price to net slightly above that amount. This is a reasonably low rate in comparison with those offered by other European bonds and is testimony of the general regard in which the bonds of certain "neutral" countries are held.

Among public offered issues, there were no others of equal interest, most of the issues being of comparatively small size. Deducting the Norway issue, volume of dealings was equally divided between public utilities and state and municipals.

The tendency of money rates is toward slightly higher levels which will probably materialize during the autumn months and for this reason it is likely that most new issues will be put out at a yield basis at least as high as those currently offered.

NEW BOND OFFERINGS

	Annual	Yield Off'd %
STATE AND MUNICIPAL		
State of Maryland	$1,000,000	4.25—4.35
City of Los Angeles	1,600,000	4.60
	900,000	4.65—4.70
	1,605,000	4.55
State of Delaware	600,000	4.25
City of Hoboken	721,000	4.60—4.70
FOREIGN		
Kingdom of Norway	20,000,000	6.30
PUBLIC UTILITY		
Oklahoma Gas & Elect. Co.	2,100,000	7.50
Danbury & Bethel Gas Elect. Co.	600,000	6.00
North American Edison Co.	8,000,000	6.65
INDUSTRIAL		
Seneca Copper Co.	1,000,000	7.25

"WATCH THE RAILROADS!"

(Continued from page 800)

against 31% which earned less than their fixed charges in 1921, only 14% were so unfortunate in the current year; that, where only about 21% were able to indicate a balance for the common in 1921, no less than 75% are able to indicate such a balance today!

The railroads have undoubtedly "made good"; they show every evidence of continuing to make good. How, then, to explain the failure of a big "rail market" to develop in railroad securities? How to explain the continued apathy of both insiders and outsiders toward railroad issues? For such an apathy there has undoubtedly been, nicely illustrated a few weeks ago when six staff analysts of THE MAGAZINE OF WALL STREET, given free liberty to cite the individual securities they regarded as the most desirable in the stock market at the time, jumped avidly and unanimously at the chance to recommend public utility stocks and industrial stocks, but refused, quite as unanimously, to recommend *any* rails.

Only one explanation appears: That is, the fear of anti-railroad legislation. Congressmen, with what their constituents must have led them to believe to be vote-assuring ideas, are known to be itching for the "opening" to come and signalize their opportunity to present rate-reduction bills, valuation reduction bills, bills forcing the railroads to split up and bills forcing them to join together, bills for greater government control, bills for complete government control—bills by the hundreds (literally), all of them predicated on the assumption that railroad prosperity is either a menace to the community, or else a just warrant for hostile legislation.

This is no idle ranting. Over one hundred and forty anti-railroad bills were introduced in the last session of Congress; and it is impossible to say how many more bills of a similar character may be introduced when the new session starts in. Political pitfalls are present by the dozens, and there is no purpose to be served in belittling their possible importance.

That this uncertainty (not to call it a certainty) is what has held back the rail market through all these months of railroad recovery cannot be doubted. No other good explanation appears of the failure of that market to develop. It is a sad commentary on the economic sense of the people, perhaps; and apparently a tendency which only bitter experience can cure. Nevertheless, it evidently is the bone and tissue of the resistance offered by railroad securities in recent markets, and only political seers can judge how long it will last.

Meanwhile, the railroads seem to have fulfilled the best that was hoped for them. They have become prosperous; and, whether because of them or in spite

of them, the country has become prosperous too. If they can continue to pile up earnings at the rate of the last twelve months, and if the country continues to share in that prosperity, as it has done in the past, it will be difficult for even the politicians to restrain them from refurbishing their equipment, efficientizing their operations, bulwarking their financial resources and, in all ways, restoring their investment prestige.

So long as there is this possibility, the suggestion "Watch the Railroads" continues to be as good as ever. For better or for worse in the future, they certainly are in an enviable position today.

THE GREATEST POWER PROJECT IN THE WORLD

(*Continued from page* 805)

yearly, as the number of plants which can produce power on the basis of 2 pounds of coal per h.p. is relatively small. Moreover, the cost of handling the coal after being taken in by plants, runs into a very large total.

But there is a humanitarian side to the subject. Statistics show that every 200,000 tons of coal mined costs a human life. So that if 70,000,000 tons of coal were replaced by electric power, there would be a saving of 350 lives. Moreover, it requires the labor of 875,000 workmen to mine 70,000,000 tons of coal. Since 30% of railroad equipment is used to transport coal from mine to factory, the economy in this direction would be enormous. It must not be thought that this project can be executed immediately. It has been maturing for many years and will take from 10 to 20 years to bring it to fullest development. By that time there will be a demand in the area it contemplates serving, sufficient to utilize the Super Power Corporation's entire output of current. New York City alone uses 6 billion h.p. hours annually and the demand is steadily mounting.

The total results of this super power development are well nigh incalculable. Summarized it means that light and power will be supplied to many millions of consumers at much less than present cost. It also means that the most active manufacturing and the most thickly settled sections of the United States *will be forever relieved from the heavy hand of the anthracite coal monopoly.* Coal strikes will no longer upset the industrial world.

Rich and poor alike will benefit, the quarryman among the granite hills of Maine, the oyster fisherman in Chesapeake Bay, the boot and shoe manufacturers of Fall River and Lynn, the tobacco grower in the damp river-bottoms of Kentucky and the lumber-jack in Michigan's dim spruce forests; all will share in the benefits of this greatest of all engineering projects. The world will move ahead faster and more easily which, after all, is the proper objective of all Progress.

UNLISTED UTILITY BOND INDEX

POWER COMPANIES

	Investment Grade	Asked Price	Yield
Adirondack Power & Light 1st & Ref. 5s, 1950	B..	100½	5.98
Adirondack Electric Power 1st 5s, 1962	A..	90	5.25
Alabama Power Co. 1st 5s, 1946	B..	91	5.70
Appalachian Power Co. 1st 5s, 1941	B..	88½	6.10
Appalachian Power Co. 7s, 1936 (Non-Callable)	B..	101	6.90
Ashville Power & Light 5s, 1942	B..	94	5.50
Carolina Power & Light 1st 5s, 1938	B..	94½	5.55
Central Maine Power 1st & Gen. Mtge. 7s, Ser. A, 1941	B..	105	5.50
Colorado Power Co. 1st 5s, 1953	B..	87½	5.95
Consumers Power Co. (Mich.) 1st 5s, 1936	B..	95½	5.50
Electrical Development of Ontario 5s, 1933	B..	96	5.50
Great Northern Power Co. 1st 5s, 1935	B..	91	6.15
Great Western Power Co. 5s, 1946	B..	92	5.60
Hydraulic Power 1st & Imp. 5s, 1951	A..	97½	5.20
Indiana Power Co. 7½s, 1941	B..	102½	7.25
Idaho Power Co. 5s, 1947	B..	88	5.90
Laurentide Power Co. 1st 5s, 1946	A..	94	5.45
Madison River Power Co. 1st 5s, 1935	A..	99	5.10
Mississippi River Power 1st 5s, 1951	B..	93½	5.45
Nebraska Power Corp. 1st 6s, 1949	B..	101	5.95
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A..	104	5.50
Penn.-Ohio Power & Light 8% Notes, 1930	B..	103	7.40
Puget Sound Power Co. 1st 5s, 1933	A..	97	5.35
Salmon River Power 1st 5s, 1952	B..	95	5.38
Shawinigan Water & Power 1st 5s, 1934	A..	100	5.00
Southern Sierra Power Co. 1st 6s, 1936	A..	101	5.60
Wisconsin Edison Co. 6s, 1924	A..	100½	5.50

GAS AND ELECTRIC COMPANIES

	Investment Grade	Asked Price	Yield
Bronx Gas & Electric 1st 5s, 1960	B..	88½	5.80
Burlington Gas & Light 1st 5s, 1955	B..	83	6.25
Buffalo General Electric 1st 5s, 1939	A..	100	5.00
Cleveland Elec. Ill. Co. 5s, 1939	A..	99	5.10
Cons. Cities Light, Power & Traction 1st 5s, 1962	C..	67	7.65
Dallas Power & Light 6s, 1949	B..	101½	5.85
Denver Gas & Electric 1st 5s, 1949	A..	93	5.50
Evansville Gas & Electric 1st 5s, 1932	B..	95	5.80
Houston Light & Power 1st 5s, 1931	B..	95	5.80
Indianapolis Gas Co. 1st 5s, 1952	B..	88	5.85
Nevada-California Electric 1st 6s, 1946	B..	94	6.45
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B..	103	7.20
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B..	95	6.10
Portland Gas & Coke 1st 5s, 1940	B..	91	5.85
Rochester Gas & Electric 7s, Series B, 1946	B..	110	6.00
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	B..	93½	5.60
Syracuse Gas Co. 1st 5s, 1946	A..	94	5.80
Tri-City Railway & Light 5s, 1930	B..	91	6.63
Twin State Gas & Electric Ref. 5s, 1953	B..	80	6.50
United Light & Railway 5s, 1932	B..	88½	6.70

TRACTION COMPANIES

	Investment Grade	Asked Price	Yield
Columbus Street Railway 1st 5s, 1932	B..	88	6.80
Detroit United Railway 1st Coll. 8s, 1941	B..	108	7.20
Galveston-Houston Electric Railway 1st 5s, 1954	B..	85	6.05
Kentucky Traction & Terminal 5s, 1951	C..	75	7.15
Knoxville Railway & Light 5s, 1946	C..	82	6.50
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B..	94	6.40
Memphis Street Railway 5s, 1945	C..	78	6.95
Northern Ohio Traction & Light 6s, 1926	B..	95	7.90
Nashville Railway & Light 5s, 1953	B..	92	5.55
Schenectady Railway Co. 1st 5s, 1946	C..	62	8.90
Topeka Railway & Light Ref. 5s, 1953	B..	86	6.15

HOLDING COMPANIES

	Investment Grade	Asked Price	Yield
American Lt. & Trac. 6s, 1925 (Without Warrants)	A..	101½	5.20
American Gas & Electric 6s, 2014	B..	94	6.35
American Power & Light 6s, Series A, 2016	B..	93	6.45
Federal Light & Traction 1st 5s, 1942	B..	84	6.50
General Gas & Electric s. f. 7s, 1952	B..	100	7.00
General Gas & Electric 1st 5s, 1925	B..	99	5.70
Middle West Utilities 8s, 1940	A..	104	7.55
Standard Gas & Electric 7½s, 1941	B..	104	7.10

TELEPHONE AND TELEGRAPH COMPANIES

	Investment Grade	Asked Price	Yield
Bell. Tel. Co. of Canada 1st 5s, 1925	A..	98¾	5.35
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	95¾	5.55
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	95¼	5.15
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	96½	5.35

SOME IMPROVEMENT IN UNLISTED UTILITY BONDS

Sentiment Is Better and Improving Market Is Anticipated Within a Short Period

IMPROVEMENT in market for unlisted public utility bond issues is distinct though prices so far show only fractional advances as a rule. What is more to the point is that sentiment is better, and, after a period of six months of dulness, it would not be surprising to see some activity in the market. The market during the summer months has had a good opportunity of absorbing the numerous issues, and it is indicated in some instances that only a very small amount of good bonds are on hand at current quotations and that any large orders might run up the price quickly.

Investors Holding Off Pending Improved Market Conditions

Many prospective purchasers of investment issues have no doubt been holding off awaiting lower prices but as the utility issues as a class have shown practically no recessions worth commenting on during the past month or two, they are now believed to be coming into the market.

Another indication of the better sentiment is that during the past week or two, utility companies have been feeling out the market, and, after a period of more than a month during which new issues were practically nil, several offerings have been successfully placed with little difficulty. It is true that up to the time of writing, the offerings have been of comparatively small proportions but it is indicated that some larger ones are being contemplated and will probably be put out shortly. The $8,000,000 North American Edison Co. bonds which were sold to yield 6.58% was about the largest individual offering to come out, and this was reported as being taken very quickly. This was followed by several other issues, one of them being Oklahoma Gas & Electric 7% notes which were put out on a 7½% basis. Denver Gas & Electric Co. it is believed will shortly announce sale of $10,000,000 of bonds though details as to the issue are lacking so far.

New Financing Expected Later This Year

It is indicated now in public circles that expected new financing this fall by public utility companies not in the form of first-mortgage issues will be through the means of 6% bonds or a fraction higher, giving the investor a return better than 6% on his investment depending upon the standing of the company making the offering.

New issue of Oklahoma Gas & Electric Co. 7% notes reported as sold can be considered as a fair medium for short-term investments. At the offering price of 98⅝ the yield is 7.5% and mature in three years. It is stated that earnings for 12 months ended June 30, 1923, were 1.6 times interest charges on total funded debt. Proceeds of the sale will be used to provide funds for payment of floating debt incurred for extensions and additions to the company's system.

Over-the-Counter

(*Continued from page* 814)

fertilizer itself, or it can be sold for use in fertilizer compositions, or it can be used as the source of Cyanide. Cyanide may be and is extensively used itself for the treatment of low-grade ores and in metal refining; it is also used in recovering gold from tailings. Or it may be used as a source of Hydrocyanic Acid. The latter is used in many chemical processes, including dye-making; it is also extensively used as a spray for fruit trees. Thus, we have the American Cyanamid Co. manufacturing, from its basic product, a series of by-products used for illumination, fertilization, ore treatment and refining, dye-making, tree-sprays, etc. —manifestly a highly diversified line.

As a result of this diversification, American Cyanamid has been able to develop its affairs quite independently of the fertilizer industry, and this it has done with great success. Typical of the company's activities may be cited its experience with hydrocyanic acid, which it has developed from a small side-line into a producer of very substantial revenues. Thus, with the fruit growers of California alone, American Cyanamid has already built up a busines in its acid spray from nothing to a gross of over $2,000,000 a year. Similar advances have been made in the manufacture and sale of other by-products.

Besides the excellent earnings showing in its annual report, Cyanamid was also able to show a remarkably strong financial position. Its assets consisted of:

Cash	$746,000
Receivables	435,00)
U. S. Bonds	1,964,003
Investments	5,093,000
Inventories	1,300 037
Due from Sub's	320,000
Property (Less Depreciation)	3,821 000
Patents, etc.	2,146,003
Ins., Taxes, etc.	301,000
Total	$16,135,000

In other words, the company had current assets, including inventories of more than 9.5 millions; and quick assets (cash, receivables, U. S. Bonds and Investments) of only 1.3 millions less.

Its liabilities included common stock $6,594,900. There is no bonded debt. Total current liabilities amount to only $1,270,000, giving the corporation, as of June 30th, last, a net working capital position of beter than 8.3 millions, and a ratio of current assets to liabilties of better than 7 to 1.

The strong position of the company, its establishment on a sound earning basis and its excellent outlook lend credence to the belief that the common shares will be raised from a $4 to a $6 basis at the October meeting. It is known, moreover, that the directors have under consideration the listing of the shares.

Since the stock was first pointed out here it has risen over 10 points and is now quoted around $60. The offered yield, on the present $4 basis, is therefore 6.66%. **Considering the fact that current earnings are more than 6 times dividend requirements, this yield may be described as highly attractive.**

BUCYRUS COMPANY

Dividend Arrears Being Discharged

Bucyrus preferred was first recommended by the Over-the-Counter Department in June, 1922, when it was selling at 95. Another recommendation of it was published last July when it was selling at 104. At this writing the preferred is not offered below 107, but it still seems attractive at that figure.

Bucyrus is one of the many old-line companies represented in the Over-the-Counter market. It grew out of the original Bucyrus Foundry & Mfg. Company, and that concern was formed forty-two years ago. Its field is the manufacture of wrecking, excavating, dredging, shoveling and other like machinery. In substantial measure, the Panama Canal was rendered a commercial waterway by Bucyrus tools.

The organization can boast of a highly representative management. Included therein may be mentioned President Fletcher, of American Locomotive; President Tarbell, of American Manganese Steel, etc.; A. A. Lockett, director in Knox Hat, etc.; D. E. Pomeroy, Chairman of the Finance Committee of Brake Shoe & Foundry, and so on.

Good Average Earnings

For seven years past, the company has earned an average of close to $10 per share on its common stock. Average earnings on the preferred, for the same period, have closely approximated $18 per share, and were smallest in 1921 at $11 per share.

The common stock of this company appears attractive for business men for various reasons. First, the organization seems to have stabilized its activities and to have developed a very dependable earning power. Second, its financial position is known to be strong, illustrated by a ratio of Current Assets to Liabilities as of December 31st, last, of better than 5 to 1. Thirdly, the capitalization is quite modest. There is no funded debt; there is only $4,000,000 of preferred ahead of the outstanding common stock. Fourthly, current earnings are known to be large, being credibly stated to be running at the rate of $20 a share after preferred dividends. Finally, Bucyrus preferred, which is in arrears to the extent of 16½% at this writing (the arrearage representing a heritage from the industrial depression of 1914-15) is receiving payments on account of arrears now at the rate of 2% a year. There is a distinct probability that the total remaining arrears will be discharged in January, 1924. Manifestly, the common will then be in line for dividends.

The belief is held that the company's field, while not pre-emiently a stable one, is nevertheless capable of substantial development; and it is very evidently a profitable field. **Today, values appear to be quickly building up behind Bucyrus' common shares and they appear**

reasonably attractive for a fairly long-pull speculation at the current price around 35.

CHILDS COMPANY

A Standard Investment

Childs Company common and preferred have been listed among our Over-the-Counter selections since the Department was inaugurated. The common, which could have been purchased in December, 1921, around par ($100) is now offered at 137. At the latter figure, it offers a return of less than 6%, but the low yield seems justified by the great prestige the company enjoys in its field and its earnings record.

The Childs Company was formed 17 years ago, although the first Childs Restaurant was opened well before that time. Standardization in service, store management, personnel and quality, coupled with prices that have appealed to the public, have resulted in its continuous growth. Today, it has well over 100 restaurants in operation over this country and Canada. The number of people served with meals in the year 1922 was nearly forty-seven million; gross sales in the same year exceeded twenty-one millions. The genius of the management is brought out by the knowledge that Childs succeeds in effecting this enormous turnover at an average profit of only 4c. a customer.

The company has scored good results quite consistently since its organization. Over the nine years since 1914, it has averaged a recovery of $22 per share on its common stock. Against a total balance shown for the common during the period, equivalent to $198.50 per share, the corporation has disbursed in cash dividends only $49.50, ploughing back the remainder.

Increase in Earnings Expected

Childs has not made a practice of reporting its gross earnings. Hence its ratio of profits to gross cannot be established with certainty. It is pretty generally agreed, however, that the company has maintained a high degree of efficiency in its operations, and little variation in its recoveries is believed to exist: Hence, with semi-official information recently made public that gross earnings for the current year are running about 5% ahead of 1922, it may be assumed that a proportionate increase will be shown in the recovery per share of common. In that event, 1923 will mark the fourth year in succession in which Childs earned over $30 a share, or more than 3.70 times its current dividend rate of $8. In the 1922 report, the company valued its plants and leaseholds at 9.8 millions, putting a value of less than $100,000 apiece on its more than 100 units. It seems certain that the Childs Chain could scarcely be duplicated at anything like this figure.

At the current price of around 135 for Childs common, the offered yield is less than 6%. The 7% preferred at 108 offers a yield of about 6.40%. **Undoubtedly, the preferred is an attractive investment medium at these levels, with the risk element reduced to the minimum, while the common should be worth picking up on reactions.**

SUPERHEATER COMPANY

An Active Security

Among the more active issues which have been recommended for investment by the Over-the-Counter Department, Superheater ranks high. It was selling around 103 when first brought to the attention of the Department's readers; at this writing the shares cannot be had below 119. The Department believes they are fully worth that price, and would advise all who purchased at lower levels to maintain their commitment.

The company engages in the manufacture of feed-water apparatus, pipe coils, superheaters and other equipment for locomotive, marine and stationary boilers under domestic and foreign patents. It is the outgrowth of the Lo-

comotive Superheater Company formed 13 years ago.

Several factors have contributed to the prosperous growth of this company in recent years. Larger-scale buying of its railroad equipment has increased the sales of its original trade line. The expansion of the company's field of operations, and the resultant diversification of its output, has widened its scope and tended to stabilize its earning power. Its cash position was greatly strengthened by the comparatively recent sale at $75 per share of slightly less than 20,000 shares of its stock.

At the time of the stock sale referred to above, the Over-the-Counter Department said: "Those in a position to judge suggest that the marketing of the issue might very logically be considered the preliminary to either an increase in the cash dividend rate on the present outstanding stock or else the disbursement of a substantial stock dividend." Shortly after this statement was made, the accurcy of the information was attested by the declaration of a $2 dividend, payable July 16th, which compared with the previous quarterly dividend of $1.50 and had the effect of raising the annual rate from $6 to $8 per share.

The Over-the-Counter Department has kept in quite close touch with the affairs of the Superheater Company, and, while it is not at liberty to quote figures, can state on excellent authority that the current earnings of the company compare very favorably with the latest established dividend rate of $8 per share. In fact, the dividend at this rate is being earned several times over. In addition to the excellent earnings which the company seems certain to show for 1923, it should also end the year in a remarkably strong cash position.

Superheater's directors, judging from information received here, could find ample justification for a stock-bonus in the position and earnings of the company. The capitalization at present consists of but one class of stock (roughly, 120,000 shares), and there is no funded debt. Whether or not a capital increase is to be put into effect, **the issue evidently contains much real value, and at 120, to yield over 6.60%, it is far from the least attractive of the Over-the-Counter issues.**

SAVANNAH SUGAR

In Strong Cash Position

"Students of the sugar situation had been generally pessimistic up to quite recently. Lately, however, a slight change for the better has occurred, and sentiment is improving. There is some reason to believe that the sugar situation is not as bad as it has been painted."

The foregoing is a paraphrase of a brief description of the sugar trade situation as given by a student in this field. It is part basis for the believe that, while sugar-company securities may still be far from the bargain class, nevertheless their position is tending upward rather than downward. Hence, the more enterprising investors are combing over the sugar list, in search

Municipal Bonds

HIGHER GRADE MUNICIPALS

		Rate Interest	Maturity	Approximate
N	Essex County, N. J.	4	Aug. 1927	4.50
N	Newark, N. J.	4	Dec. 31, 1959	4.30
N	Detroit, Mich.	5½	Aug. 15, 1944	4.60
N	St. Louis, Mo.	4½	Aug. 1928	4.30
N	State of Tennessee	4½	July 1925	4.50
	Memphis, Tenn.	4½	July 1926	4.75
N	State of Michigan	5	Oct. 1925	4.40
N	Chicago, Ill.	4	Jan. 1925	4.60
N	Chicago, Ill.	4	Jan. 1926	4.50
N	State of Oregon	4½	Apr. 1938-39	4.50
	Chicago Joint Stock	4¼	1963/33	100¼
N	San Francisco, Calif.	4½	July 1943	100
	Cook County, Illinois	4½	April 1927	4.50
N	State of North Carolina	4½	Jan. 1932	99½
N	State of Illinois	4	May 1933	4.35
N	State of West Va	4½	April 1939	4.40
	Chattanooga, Tenn.	4½	June 1937	4.65
N	San Diego, Calif.	5	July 1960-61	4.60
N	Jersey City, N. J	4½	Oct. 1961	4.30
N	Detroit, Mich.	5	Dec. 1938	4.50
	San Antonio Joint Stock	5	Nov. 1939/24	100
N	State of North Dakota	6	Jan. 1942	5.00
N	State of South Dakota	5	July 1926	4.70
N	Detroit, Mich.	4¼	June 1933	4.40
N	State of Texas	5	Feb. 1925	4.60
N	Manchester, N. H	4	1926-28	4.40
N	New York State	5	March 1942	3.95
N	New York State	5	March 1959	3.95
N	State of Minnesota	4½	July 15, 1943	4.30
N	State of Alabama	4½	June 1947	4.40
	Lorain, Ohio	6	Sept. 15, 1930	4.70
N	City of Shelton, Conn.	4	Jan. 15, 1928	4.40
N	Boston, Mass. Reg'd	3½	June 1934	4.20
N	Columbus, Ohio	4½	Sept. 1945	100¼
N	Atlantic City, N. J.	4¼	July 1925-58	4.50
N	State of Delaware	4½	Jan. 1963	104½
N	State of California	4½	July 3, 1941	4.35

N—Legal for Savings Banks in New York State.

of the issues most likely to give a good account of themselves if the trade uptrend assumes any proportions.

Savannah Sugar preferred, which has been carried in our Over-the-Counter list for some time past, might well be scrutinized for value potentialities. It represents one of the chief units in the Oxnard chain.

The capitalization of the company consists of 34,558 shares (par $100) of 7% cumulative preferred stock and 27,500 shares (no par) of common. There is no funded debt. Due to trade depression, dividends on the preferred were suspended from November, 1920, until 1922, in which year 5¼% was paid; but, early in the current year, arrears were entirely discharged through a stock-payment of 25⅔%.

At the close of 1922 the company was able to show a considerable improvement in its position. Over $800,000 in bank loans had been discharged during the year, and the cash account had been built up to $800,000, or more than double the amount of this account in any of the four previous years. Working capital was similarly increased, comparing as follows: 1918, $273,000; 1919, $389,000; 1920, $311,000; 1921, $724,000; 1922, $1,583,000. Against a property account of 3.4 millions, the company wrote off more than $800,000 on account of depression during the year. Its current liabilities consisted solely of $110,503 accounts payable.

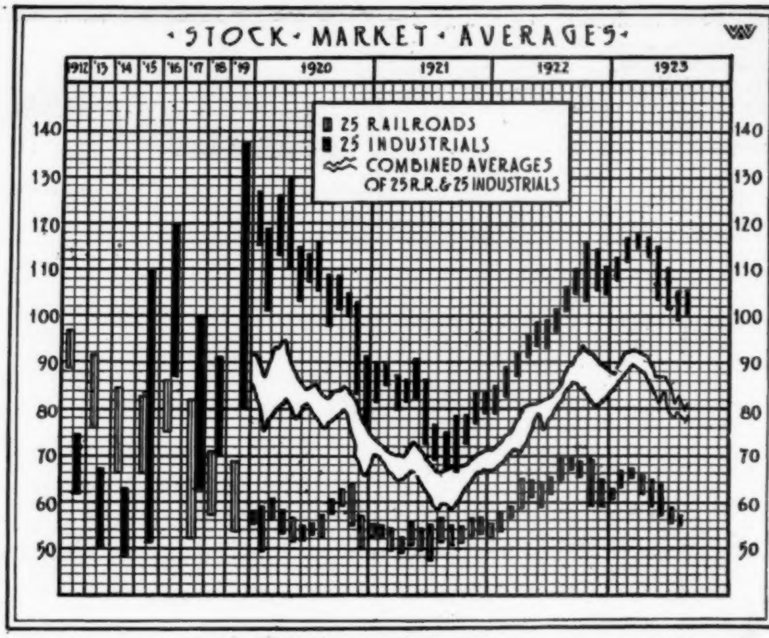
The current price of the preferred stock of Savannah Sugar is $80, at which level a yield of almost 9% is offered. This seems quite attractive from the business man's viewpoint, the company's strong financial condition indicating that the dividend requirement on the preferred of only some $240,000 yearly will be no great drain on its resources and well within its earning power under reasonably good trade conditions.

STOCKS WHICH HAVE MADE INVESTORS RICH

(*Continued from page* 790)

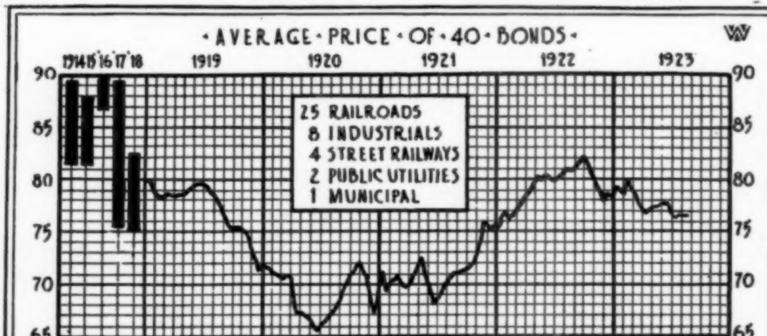
the point where its price has been pushed up beyond the "bargain area." In other words, the investor should confine himself to companies which have already established a long and successful record. Experience has shown that taking chances with new companies which are small or unknown is several degrees more risky even than investing in companies which start their market career on a large scale and with considerable publicity.

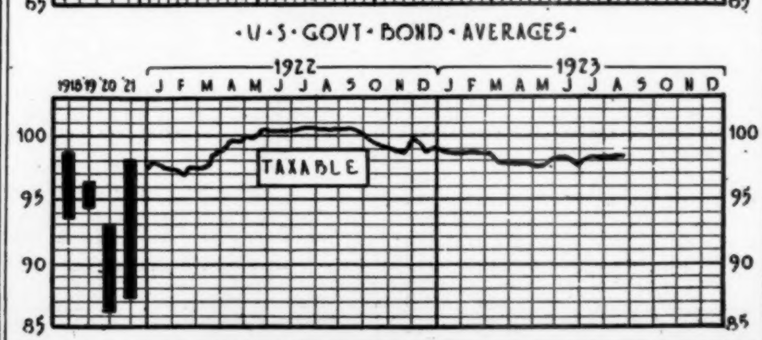
An investor who applies the above procedure, the "super-acid test," it might be called, to such a list of relatively little-known stocks as that published in the "Over-the-Counter Department" in THE MAGAZINE OF WALL STREET in every issue, is certain to find that there are stocks of this class of quite unusual investment merit. Even more important, perhaps, he will widen the field of his investment knowledge and realize how broad the investment market is and what diversified territory it covers.



MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Friday, Aug. 10.........	EXCHANGE CLOSED					
Saturday, Aug. 11......	76.20	89.11	78.11	78.93	78.46	151,280
Monday, Aug. 13........	76.45	88.95	78.10	79.01	78.39	320,261
Tuesday, Aug. 14........	76.42	89.60	78.31	79.30	78.28	534,116
Wednesday, Aug. 15....	76.55	90.23	78.74	79.87	78.96	623,100
Thursday, Aug. 16......	76.60	90.86	78.91	80.39	79.58	586,120
Friday, Aug. 17..........	76.61	91.64	79.17	80.82	80.09	588,825
Saturday, Aug. 18......	76.64	92.32	79.66	81.23	80.48	363,200
Monday, Aug. 20........	76.63	91.71	79.53	81.32	80.52	588,037
Tuesday, Aug. 21........	76.63	92.18	79.31	81.19	80.40	586,465
Wednesday, Aug. 22....	76.56	92.13	78.76	81.60	80.64	660,174
Thursday, Aug. 23........	76.65	92.04	78.85	81.07	80.40	584,127





BANK STOCK REFERENCE TABLE

NATIONAL BANKS

Name	Dividend Rate $	Par Value	Book Value June 30, 1922	Book Value June 30, 1923	Recent Market $ Per Share Bid	Recent Market $ Per Share Asked
American Exch.	15 Q J	$100	x$249	x$256	288	293
Bronx	10 J & J	100	227	149	125	140
Butch's & Drvs.	8 Q J	100	134	128	132	137
Chase	A 20 Q J	100	x207	x215	343	347
Chatham Phoenix	16 Q J	100	194	188	257	262
Chemical	24 Bi-mo J	100	455	466	525	530
City	B 20 Q J	100	x224	x229	345	348
Coal & Iron	12 Q J	100	187	184	215	222
Commerce	C 12 Q J	100	246	253	290	293
East River	12 J & J	100	178	180	204	214
Fifth	9 Q J	100	181	191	225	235
First	D 40 Q J	100	x537	x653	1205	1215
First Nat., B'klyn	E 12 Q J	100	283	310	320	355
Garfield	F 12 Q M	100	257	263	255	265
Gotham	12 Q J	100	193	190	183	188
Hanover	24 Q J	100	503	528	675	685
Harriman	G 10 J & J	100	285	280	325	335
Mechanics & Met.	J 20 Q J	100	273	268	385	390
Nassau Nat.	K 12 Q J	100	256	267	225	...
Nat. American	....	100	152	153	140	150
Park	24 Q J	100	232	334	419	424
People's Nat.	8 J & J	100	279	299	165	...
Public	16 Q J	100	251	‡253	292	297
Seaboard	L 12 Q J	100	269	279	362	370

(A) Includes $4 paid by Chase Securities Corporation. (B) Includes 2% and 2% extra paid by National City Co. quarterly. (C) 4% extra Jan., 1923. (D) 10% extra paid by First Securities Corp., Jnuary, 1923. (E) 2% extra January, 1923. (F) 8% extra January, 1923. (G) 5% extra July, 1922, and 5% extra January, 1923. (H) 6% extra January, 1923. (J) 2% extra July, 1922, and 2% extra January, 1923. (K) 3% extra January, 1923. (L) 2% extra January, 1923. (‡) Capital increased during year.

TRUST COMPANIES

Name	Rate $ Dividend	Par Value	Book Value June 30, 1922	Book Value June 30, 1923	Recent Market $ Per Share Bid	Recent Market $ Per Share Asked
Bankers	20 Q J	$100	$220	$216	352	350
Bank of N. Y. & Tr. Co.	20 Q J	100	...	400	463	468
Brooklyn	24 Q J	100	301	323	470	485
Central Union	24 Q J	100	252	273	471	476
Commercial	6 Q J	100	133	135	105	115
Empire	C 12 Q J	100	225	202	305	315
Equitable	12 Q J	100	228	*141	190	192
Farmers L. & T.	24 Q F	100	392	419	530	540
Fidelity—Int'l	10 Q J	100	219	*194	195	205
Fulton	D 10 J & J	100	243	254	250	260
Guaranty	12 Q J	100	170	173	252	255
Hudson	10 Q J	100	239	‡226	208	215
Irving Bk. Col. Tr. Co.	....	100	...	161	217	221
Kings County	40 Q F	100	729	829	850	...
Lawyers T. & T.	E 8 Q J	100	261	‡188	180	190
Manufacturers	G 12 Q J	100	205	‡207	275	...
Metropolitan	16 Q M 31	100	285	296	295	300
Midwood	....	...	158	165	150	160
New York	20 Q J	100	271	278	342	346
People's	20 Q J	100	272	‡286	390	...
Title Gr. & Tr.	K 12 Q J	100	284	‡227	363	368
U. S. Mtg. & Tr.	M 16 Q J	100	237	242	305	312
United States	50 Q J	100	901	951	1205	1220

(C) 1% extra July, 1922; 4% December 30, 1922. (D) 2% extra January, 1923. (E) 2% extra July, 1922; 2% January, 1923. (G) 2% ertxa October, 1922. (K) 4% extra June 30, 1922; 3% January, 1923. (M) 4% extra January, 1923. (S) See N. Y. Title & Mortgage Co. (‡) Capital increased during year. (*) Book value figured on old capital.

SEÑOR TARAFA TWEAKS THE EAGLE'S TAIL

(*Continued from page* 791)

One fine day the Cuban Congress awoke to the fact that it was neglecting its brave and worthy *veteranos* and a law was rushed through making the certificates redeemable at 100 cents on the dollar. It is not of record how much the Colonel and his syndicate cleaned up but, if report may be credited, it was plenty.

A Railroad for a Dollar

Flushed with victory the Colonel turned for new worlds to subdue. Glancing at a map of Cuba one perceives a line bisecting the island like a girdle around the waist of a fair maiden. This is the old "trocha" railroad built by the Spaniards to keep the turbulent eastern *insurrectos* from disturbing the more placid western inhabitants. Military blockhouses every mile and barbed wire entanglements also tended to curb the war-like proclivities of the westerners.

When Van Horne built the Cuba railroad, running from Santa Clara to Santiago, the Cuban Government offered him this trocha road at a bargain price of one dollar. The offer was contemptuously refused. Van Horne wouldn't buy the line for a nickel, much less a dollar. With one end at the port of Jucaro on the Caribbean and the other at a northern bay emptying into the old Bahama Channel, the 40-odd miles of the Jucaro and San Fernando were of no earthly value to Van Horne and the Cuba Co. Van Horne lacked imagination or, perhaps, what is more important, influence with the right persons. But Tarafa lacked neither.

At all events he bought the Jucaro and then, to the consternation of the Cuba Co. interests, began building a parallel line from Moron to Puerto Tarafa, a distance of about 100 miles as the crow flies. He was assisted in his amiable objective of cutting the ground out from under the Cuba Co., by a Government subsidy of $12,000 per kilometer which is at the rate of about $20,000 a mile. Furthermore, he obtained a franchise and another subsidy on the same basis, to extend his lines from Moron to Santa Clara. Of course he had to agree to pay back the subsidy money to the Government but has not done so to date. Some critics are unkind enough to suggest that he never will. It is more than probable that none of his personal fortune went permanently into these ventures. "For," as a man conversant with the situation remarked to the writer, "if you can't build a railroad in Cuba for $20,000 a mile you can't build it at any price."

There was no outbreak of hostilities, however, between the competing lines. Explanation for that fact may be found in the statement that Tarafa is now the owner of $1,000,000 of stock in the Cuba Co. and that the latter has voiced no active opposition to the Tarafa Bill which has set a great group of American capital by the ears and is now being scrutinized by our Secretary of State and even President Coolidge himself.

Passing over the multifarious activities

of Señor Tarafa along the lines of sugar mills, real-estate speculations, mining, *et cetera,* and coming to the Tarafa Bill, which has created such a tremendous uproar, what do we find? Reducing the bill to its essentials we find that when the Cuban Senate ratifies the bill, the House has already done so, *the entire traffic situation in the eastern half of the island will lie snugly in the firm, brown palm of Colonel José Miguel Tarafa.*

A word is necessary as to how this will be accomplished. Many large corporations controlled by American capital, have built their own railroads to their own ports, either because no railroad outlets existed, or because it was cheaper to do so. Among such companies having built or intending to do so, are the American Sugar Refining Co., Punta Alegre Sugar Co., American Metal Co., Cuban-American Sugar Co., Manati Sugar Co. and the Francisco Sugar Co. The sums expended by these and other companies, the number of which totals more than a score, for railroads, terminals, docks, warehouses, etc., run into many millions. The Tarafa Bill appoints 25 ports as public ports. There are 47 ports which will be known as private ports. These private ports must, under the Tarafa Bill, ship over the Consolidated Railways Lines, i.e., the Tarafa lines, at a cost of from 30% to 50% in excess of present shipping costs. In case the Consolidated does not reach to their properties they are allowed to continue to ship via present facilities, but under what is described as prohibitive taxes. *But only until the Consolidated lines are extended to take their business.* The entire value of invested capital thus affected is estimated at from 250 million to half a billion dollars.

A Neat Document

The Tarafa Bill is about as astute a document as one could find in the archives of a Philadelphia lawyer. It specifies that the taxes paid by the unfortunate companies which have to ship through private ports, shall go to the Cuban Government. That seems fair enough. But it neglects to elucidate that as soon as the Tarafa lines are extended to such companies, the taxes will *cease* going to the Cuban Government and instead freight rates will begin to dribble into the Tarafa railroad coffers.

It states, with apparent candor, that the Consolidated shall not pay more than 6% on its stock. Inasmuch as the amount of stock issued or to be issued, is not indicated, it would be the simplest thing in the world to capitalize on a basis so that the Government would not get a cent of Consolidated earnings in ten thousand years.

Under the Tarafa Bill the Consolidated Co., to be formed, shall consist of not less than three roads, two of them Cuban, with a mileage of not more than 400 kilometers, and a third road. The three lines *must, however, be connecting.*

There are only three railroads in the island of Cuba which fulfill those requirements, the two Tarafa roads and the Cuba Co.

Consolidation of the Cuban railroads under proper conditions is admitted to be desirable. And it is furthermore agreed that where the railroad made it possible to establish cane fields and sugar mills and other industrial activities, it is no more than fair that such concerns should continue to patronize the road that rendered their existence possible. But in many cases industries were established and ports opened when railroads were non-existent or many miles distant. Certain ports were opened as far back as 1858. To compel such companies to abandon their facilities and use the Consolidated lines is nothing short of confiscation, so the companies maintain. This is the crux of the whole situation.

The Cuba Co.

When the affable Colonel was in New York City last April and the matter of consolidation was first broached, it was understood that existing ports were to be unmolested and that the legislation would refer only to ports to be opened in the future. That such a consolidation would be greatly to the advantage of the Cuba Co. as well as the Tarafa lines, was obvious. The Cuba Co. is American owned and is known as a Standard Oil property. On its board of directors are such men as Percy Rockefeller, E. J. Berwind, H. S. Rubens, Victor Morawetz, G. H. Walker and W. H. Woodin. It operates 663 miles of main lines and its chief subsidiary is the Camaguey & Novitas. It has a funded debt of $25,000,000, preferred stock totaling $10,000,000 and common of $15,800,000. It is well managed and prosperous. Hooked up with the Tarafa lines the consolidation would be the strongest and most prosperous of the Cuban railroads.

To understand the political situation in Cuba one must realize that the Cuban politician believes in taking the cash and letting the credit go. Graft and corruption is as thick in the island as fleas on a pariah's hide. This fact is known and admitted by all conversant with Cuban affairs. Compared with the dominant political ring Tammany Hall at its worst was a Sunday School association. If you don't play the game according to the accepted rules in Cuba you may as well throw down your hand and seek other spheres of activity. Gambling is a national vice and lotteries national institutions.

Before presenting his bill Colonel Tarafa gave a party. And when the Colonel gives a party let it be known that it is a *real* party. All the legislators and public officials were invited, free, gratis, on a junket in a private train over Tarafa's Cuba Northern railroad and to Puerto Tarafa. As an entertainer, as has before been stated, the said Colonel is some pumpkins. To borrow from the slang of the day, he is host of "which, there is none whicher."

If reports are to be believed the Colonel's party was a whale of a success. For three days there was wassail and song, interspersed by florid speeches such as only the Latins know how to deliver. When the legislators returned home they were of one opinion and that was that Colonel José Miguel Tarafa was the princeliest

of good fellows and that the Tarafa Bill was the one panacea needed to put the island of Cuba among the forefront of nations.

What arguments the Colonel used to convince the recalcitrant is not of record. Sufficient to say that he is an extremely persuasive individual and that his efforts were crowned with entire success.

So much so that when the Tarafa Bill was presented to the Cuban Lower House on the evening of the day the late President Harding was committed to the tomb, 89 voted in favor and only 9 against. It is understood that of the available senators 13 are in favor and 5 against.

The next day the storm broke. It should be noted in passing that the Tarafa Bill was drawn so that certain powerful and influential interests were not molested. Astuteness is the Colonel's fourth name, and he realizes that, while it might be safe to try and grasp a handful of feathers from the eagle's tail, it would not be wise to attempt to pluck him like a roasting chicken. The United Railways of Havana, British owned, are helped rather than harmed by the bill and the very powerful United Fruit Co. and certain others, have no cause for complaint as their ports are included among the public ports.

But those whose interests were threatened raised enough uproar in all conscience. So much so that the State Department is taking a hand under the watchful eye of the President. It is doubtful if the Cuba Co. interests had any conception of the lengths that Tarafa would go in his bill. Their position to date, however, has been one of profound silence and watchful waiting. Their attitude seems to say, "It's a good trick, Colonel, if you can do it. But don't quote *us*."

The consolidation under the Tarafa Bill would greatly increase the value of the stock and bonds of the Cuba Co., which are largely held in this country, and the same thing holds in reference to the Tarafa roads' securities. Incidentally, it would make José Miguel Tarafa the richest man in the island of Cuba. Potentially he is that today. His present situation seems to be, according to informed sugar men, that he is long of assets but short of cash. It is estimated that he owes the Cuban Government, sugar companies, banks and various creditors between $6,000,000 and $7,000,000. The Tarafa Bill was a way out of his complications.

At this writing the Tarafa forces show signs of weakening. Under the Treaty of Paris and the Platt Amendment this country can intervene if circumstances warrant. In attempting to close 47 private ports, Tarafa, in the words of one of his chief adherents, "broke his pick." By the time this appears in print a compromise may have been effected satisfactory to all parties.

Though he may lose out in the present instance he will be heard from again. A man of his ability and personality cannot be suppressed. He played for millions and apparently the cards are against him. But we will have to admit he is no piker.

WHAT MAY WE EXPECT OF COOLIDGE?

(*Continued from page* 787)

contact with the executive because that officer made up the budget for which the executive was responsible in the end. General Lord suggested that perhaps Mr. Coolidge had in mind someone else for such an intimate relationship.

The President is said to have told General Lord to keep his resignation in his pocket. Then he asked what economies in appropriations the Budget Director had in mind. General Lord informed him that outside of the Postoffice Department appropriations, repayable from postal revenues, and the amounts for the sinking fund and interest on the national debt, the budget for the next fiscal year should stay within $1,700,000,000 for all governmental activities. This sum would represent a reduction of about $126,000,000 under the appropriations for the current fiscal year.

The new President is then understood quietly to have told the Budget Director that he couldn't be too intimate when it came to plans for saving the government's money. The President told General Lord to "go to it; hold them down." There are to be cuts all along the line and General Lord departed with the full support of the President in a program to "hold them down."

It was so when Coolidge was governor of Massachusetts. He is given credit for abolishing useless jobs and bureaus, firing politicians who held sinecures, and eliminating red tape in the State government. He kept Massachusetts jobholders on the anxious seat throughout his two terms.

World Court Will Remain Quiescent

Parenthetically, the avidity with which Senator Moses has thrown the Coolidge hat "into the ring for 1924," indicates to Washington that President Coolidge is going to let the World Court program of his predecessor die a natural death. President Harding having laid the World Court proposal before the Senate—only to meet the immediate opposition of such bitter-enders as Moses, Brandegee and Hiram Johnson—it seems safe to assume now that President Coolidge will let that proposal "stay on the table" in the Senate. He is not expected to revive the World Court issue. It is a Harding policy, but the matter was already out of the hands of the White House and into the hands of the Senate, and Coolidge really is not required to take any action. Had he espoused the World Court, even indirectly, Senator George Moses would hardly have left the conference room, emitting three cheers for Coolidge for 1924.

Since entering the executive mansion, President Coolidge has informed callers that he intended to follow the Harding policies as to the reparations and foreign debt situation. The present administration, like the preceding one, is willing to lend its good offices in the reparations muddle if it is asked to do so. It does not intend to attempt to "butt into" European affairs. But if a suggestion comes from the nations now in controversy that the United States may be of assistance, the United States is likely to give the suggestion prompt and sympathetic consideration. Just now the administration occupies a position of anxious and watchful waiting, both as to reparations and the adjustment of the foreign debts which latter it would like to determine as quickly as possible.

Meanwhile more than one member of the American Debt Funding Commission is known to have reached the conclusion that France has no present intention of paying her debt to this nation and the prospects are that it will never be paid. Such are the pessimistic conclusions that Senator Smoot and others are said to have communicated to this government following their recent tours of Europe.

On such questions as taxation and the tariff President Coolidge is regarded as an orthodox Republican and protectionist. He has not discussed these issues concretely in the past year or two. They unquestionably will remain issues throughout the next national campaign and the approaching message of Mr. Coolidge to Congress doubtless will go into them. At present, however, there is nothing to indicate an early change either in the taxation or the tariff laws. Parties in power seldom undertake such changes or reforms just before a national election.

As to immigration, President Coolidge is listed as a restrictionist. He came originally from Vermont, the state of the late Senator Dillingham, co-author of the existing three percent immigration law, and his views are believed to have coincided, in a general way, with those of Dillingham and other New England Republicans who helped to halt the unrestricted flow of immigration to American shores.

In his first formal conference with newspaper correspondents after entering the executive offices President Coolidge made a distinctly favorable impression. He was more outspoken than the correspondents expected him to be. He did not attempt to quibble, or to evade questions. He promised to meet press representatives twice each week, as Mr. Harding met them, and to outline for their guidance his plans and policies as they might be unfolded with propriety.

How He Would View a Coal Strike

One of the pressing things ahead of President Coolidge is the handling of a threatened coal strike. Coming from New England where the fuel problem lasts from month to month throughout each year, and is always more or less acute, the President has already acted to prevent a strike and has given notice that the Federal government expects an agreement between operators and miners. It is plain that President Coolidge will act decisively and promptly in case of an eventual great emergency. If a strike cannot be avoided, he promises there will be no such acute situation as developed last year and the administration is perfecting its plan to encourage the use of substitutes for anthracite coal, to reduce transportation difficulties to a minimum and to see that there

is no disastrous suffering by business or individuals.

In a sentence or two, the President recently made this comment concerning capital and labor:

"Industry cannot flourish if labor languish. Transportation cannot prosper if manufactures decline. The suspension of one man's dividends is the suspension of another man's pay envelope."

Altogether, Washington has hurriedly appraised President Coolidge and decided that he is a safe man to have at the helm of state. Republicans are confident that he will make good in every test. Democrats privately admit that if he does, and is renominated, he will be hard to defeat; harder to defeat, in fact, than Harding would have been if he had lived—because Coolidge inherits all the good things of the Harding administration and stands personally responsible for none of its errors or bad things.

TO INFLATE OR TO DEFLATE?

(Continued from page 797)

30% for rediscounting, while call money rates are ½ to 1½% a day, or 180—540% annually.

The outlook for improvement in this deplorable banking situation is so closely bound up with the outlook for the entire economic structure of Germany, which in turn depends almose exclusively on political developments in foreign and domestic affairs, that it cannot be profitably considered apart from them. Unfortunately, political changes of this sort cannot be predicted far in advance, so that the most one would be justified in saying is that the outlook is very black indeed, always, of course, barring miracles.

MINOR COUNTRIES Each of the three countries whose banking systems have been discussed above is typical of a group of countries whose position is similar to it, and whose exchange rates (compared with par) are comparable with each other.

In the same group with the United States and England are Japan, and the former "neutrals" of Europe, including Holland, Spain, the Scandinavian countries and Switzerland. In the countries of this class, the exchange has depreciated only a few per cent of par, deflationism on the whole has triumphed, but, on the other hand, except for the United States, their industrial and commercial position is very poor. Holland may be taken as an example: foreign trade has fallen off badly, on account of the inability of former customers to pay the high exchange rate on the Dutch gulden, and the purchasing power of the domestic population is insufficient to make up for this deficiency. On the other hand, this very stability of exchange has enabled the Dutch bankers to invest heavily abroad, particularly in the securities of strong German corporations, and to make advantageous trading arrangements with them.

Fundamentally, however, the strength of the banking position is dependent on

the strength of the industrial and commercial position, and the disappointing weakness of the latter has been brought out by the bank failures, closures, and other difficulties in Scandinavian countries and in Switzerland. When we say that, on the whole, the banking position of the countries with strong exchanges is good, we do not mean that it is permanently good in each case, and, in fact, except for the United States again, the strength of the banking position, unsupported by active and profitable business, is to be regarded with distrust over a period of time.

In the second class fall those countries whose exchanges have fallen considerably from par, but which have not yet suffered from banking inflation to its fullest extent. In this group, beside France, are Italy, Belgium, Czecho-Slovakia, and some of the South-American countries. The position of Czecho-Slovakia is exceptional; originally one of the many Central European nations whose currencies were rapidly drifting to annihilation, along the easy road of inflation, it exerted a tremendous effort toward deflation and succeeded in nearly tripling the exchange value of the Czech crown and in making a start toward lower prices.

The cost was tremendous, however. It meant sharing in all the trade handicaps of the countries of strong exchange without having their banking advantages, and, in addition, maintaining a high internal price level by a system of tariff walls to encourage home industry. The country cannot be said to have completely established its position yet, but in showing that the trend toward inflation can be reversed if the inflating country is willing to make heavy sacrifices, it has been instructive to the banking world at large.

For the most part, however, the countries of the middle group seem to be drifting toward inflation, speeded along by unfavorable balances of trade, government deficits and the difficulties of the banking situation.

The last group of countries, of extreme exchange depreciation, is confined to Central and Eastern Europe. The Soviet Russian paper rouble before 1923 was the most spectacular member of this group, but the installation of a new currency, the "chervonetz," based on gold and commercial paper, may prove to be the foundation of a solid banking system in the course of time. The Austrian currency débâcle was checked in September, 1922, with the crown at 70,000 to the dollar, by means of loans from countries in better financial position, but it remains to be seen if the halt in the inflationary process is to be permanent, when the loans give out.

Recently other Central European countries, such as Poland and Hungary, which had followed the mark and the Austrian crown in the slide toward zero, and had been able to check the decline with the help of outside banking assistance, have started going down again, more precipitously than before. Temporary banking aid does not seem to be of much use in putting these countries on their feet, as inflation is the only recourse they adopt once the loans stop.

The banking prospects of these countries appear to be desperate, at the present time, and if inflation is to be stopped, alternative methods of financing the government and increasing the volume of business must be devised, apart from the temporary expedient of loans.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Payable
$6	Amer B Sugar pfd	$1.50	Q	9- 8	10- 2
$6	Amer Loco n com.	$1.50	Q	9-13	9-29
7%	Amer Loco pfd....	1¾%	Q	9-13	9-29
10%	Amer Pr & Lt com	2½%	Q	8-15	9- 1
$4	Amer Radiator com	$1.00	Q	9-15	9-29
$1	Amer Stores com..	25c	Q	9- 1	10- 1
$7	Amer Sugar Ref pfd	$1.75	Q	9- 1	10- 2
5%	Amer Tel & Cable.	1¼%	Q	8-31	9- 1
7%	Amer W Glass pfd	3½%	SA	8-17	9- 1
7%	Armour Co (Ill) pf	1¾%	Q	9-15	10- 1
7%	Armour Co (Del) pf	1¾%	Q	9-15	10- 1
$4	Atlantic Ref com ..	$1.00	Q	8-21	9-15
$4	Atlas Powder com..	$1.00	Q	8-31	9-10
$6	Borden Co pfd.....	$1.50	Q	9- 1	9-15
$5	Brill Co J G com..	$1.25	Q	8-24	9- 1
$1	Brooklyn City R R	25c	Q	8-20	9- 1
8%	Brooklyn Edison Co	2%	Q	8-17	9- 1
7%	Bucyrus Co pfd....	1¾%	Q	9-20	10- 1
—	Bucyrus Co pfd....	½%	Ext	9-20	10- 1
$7	Cal Petroleum pfd..	$1.75	Q	9-20	10- 1
$7	Century Ribbon pfd	$1.75	Q	8-20	9- 1
$7	Consol Cigar pfd...	$1.75	Q	8-15	9- 1
$7	Cosden & Co pfd..	$1.75	Q	8-15	9- 1
$7	Cuban-Am Sug pfd.	$1.75	Q	9- 4	9-29
6%	Cuba R R pfd.....	3%	SA	*1-19	2- 1
9%	Delaware & Hudson	2¼%	Q	8-28	9-20
$8	Diamond Match....	$2.00	Q	8-31	9-15
$1	Douglas Pectin Corp	25c	Q	9- 1	9-30
$7	Duquesne Light pfd	$1.75	Q	8-15	9-15
$2.60	Easton Axle & Spg.	65c	Q	9-15	10- 1
$5	Eastman Kodak com	$1.25	Q	8-31	10- 1
$6	Eastman Kodak pfd	$1.50	Q	8-31	10- 1
$8	Fam P-Lasky com.	$2.00	Q	9-15	10- 1
6%	Fed Lt & Trac pfd	$1.50	Q	8-15	9- 1
7%	Fed Min & Sm pfd	1¾%	Q	8-25	9-15
$6	Gal-Houston El pfd	$3.00	SA	8-28	9-15
$6	Gold & Stk Tel pfd	$1.50	Q	9-30	10- 1
$7	Goodrich B F pfd.	$1.75	Q	9-31	10- 1
$6	Hart Schaf & M co	$1.50	Q	8-18	8-31
$6	Harb Walk Ref com	$1.50	Q	8-31	9- 1
$6	Harb Walk Ref pfd	$1.50	Q	10-10	10-20
7%	Hartman Corp.....	1¾%	Q	8-20	9- 1
$3	Household Prodts..	75c	Q	8-15	9- 1
$2.50	Inland Steel com..	62½c	Q	8-15	9- 1
$7	Inland Steel pfd...	$1.75	Q	8-15	9- 1
7%	Inter Cement pfd..	1¾%	Q	9-15	9-29
$3	Inter Cement com..	75c	Q	9-15	9-29
$6	Inter Salt.........	$1.50	Q	9-15	10- 1
—	Intertyp Cp co (stk)	10%	Q	11- 1	11-15
7%	Jones & Lo Stl pfd	1¾%	Q	9-15	10- 1
6%	Lanston Monotype.	1½%	Q	8-21	8-31
$2	Lee Rubber & Tire	50c	Q	8-15	9- 1
12%	Liggett & My com.	3%	Q	8-15	9- 1
12%	Ligg & My com B	3%	Q	8-15	9- 1
4%	McCorory Stores...	1%	Q	8-20	9- 1
20%	McIntyre Porc Min	5%	Q	8- 1	9- 1
50c	Mutual Oil........	12¼%	Q	9- 1	9-15
$3	National Bisc com.	75c	Q	9-29	10-15
$4	N Y Air Brake pfd	$1.00	Q	9- 7	10- 1
$7	Onyx Hosiery pfd.	$1.75	Q	8-20	9- 1
7%	Packard Motor pfd	1¾%	Q	8-31	9-15
7%	Penn Water & Pow	1¾%	Q	9-14	10- 1
$2	Phillips Petroleum.	50c	Q	9-15	10- 1
$7	Pittsburgh Steel pfd	$1.75	Q	8-15	9- 1
$3	Postum Cereal com	75c	Q	10-20	11- 1
$8	Postum Cereal pfd.	$2.00	Q	10-20	11- 1
$1.50	Pure Oil com......	37½c	Q	8-15	9- 1
$6	San Joaq L & P pf	$1.50	Q	8-31	9-15
$7	San J L & P pr pf	$1.75	Q	8-31	9-15
5%	St Louis Southw pf	1¼%	Q	9- 1	10- 1
$8	Schulte Ret Sto com	$2.00	Q	8-15	9- 1
6%	Southern Pacific...	1½%	Q	8-31	10- 1
$8	Southern Pipeline..	$2.00	Q	8-15	9- 1
7%	Southw P & L pfd	1¾%	Q	8-13	9- 1
$2.50	Stand Oil of Cal..	62½c	Q	8-16	9-15
$10	Stand Oil of Ohio.	$2.50	Q	8-24	10- 1
8%	Stern Bros pfd....	2%	Q	8-15	9- 1
$6	Texas Gulf Sulphur	$1.50	Q	9- 1	9-15
7%	Timken Det Axle pf	1¾%	Q	8-20	9- 1
$3	Timken Roll Bear..	75c	Q	8-20	9- 1
—	Timken Roll Bear..	25c	Ext	8-20	9- 1
20%	Tonopah Ext Min.	5%	Q	9-10	10- 1
12%	Truscon Steel com.	3%	Q	9- 5	9-15
7%	Truscon Steel pfd.	1¾%	Q	8-21	9- 1
7%	Underw Type pfd..	1¾%	Q	8- 1	9- 1
$3	Underw T new com	75c	Q	8- 1	9- 1
10%	Union Pacific com	2½%	Q	9- 1	10- 1
4%	Union Pacific pfd..	2%	SA	9- 1	10- 1
—	United Profit Sh..	15%	—	9-11	10- 1
8%	U S Realty com...	2%	Q	9- 5	9-15
7%	U S Realty pfd...	1¾%	Q	10-20	11- 5
$2	Vacuum Oil.......	50c	Q	8-31	9-20
$2	Vivaudou Inc.....	50c	Q	9- 1	9-15

* 1924.

POLITICS NOW THE PREDOMINANT BUSINESS FACTOR

(Continued from page 808)

some time ago, while it does not point to a broadening of our selling power in other countries.

Its effect is most directly seen in exchange rates, which have become less favorable to foreign countries, the dollar being worth more in nearly every market. This, of course, makes it harder for us to sell abroad, although at the same time it tends to prevent the loss of gold from reserve banks which had been feared by some as a result of the growth of an export shortage as compared with imports. This situation is fairly reflected in the accompanying diagram showing excess exports and imports, the line on the chart having crossed the basic or zero point, and now tending up again, but of course without indication as to the gross amounts of trade involved.

Trade Activity

As might naturally be expected, trade activity has somewhat slackened during the dead season, and this to a certain extent is reflected in local figures for activity of bank deposits, as shown by debits and credits to individual account. On the whole, the general showing for the country as a whole, which is depicted in the accompanying diagram, does not present very serious changes. Such recession as appears, is hardly more than was to be expected from the seasonal standpoint. Taken all in all, the business situation is to be considered tolerably stable and reasonably hopeful, although with nothing in the way of a "boom" in sight. Considering the difficult posture of foreign politics, and the uncertainty which still surrounds the domestic situation, so far as Federal policies are concerned, the situation is not one with which serious fault can be found.

IMPROVING YOUR INVESTMENT POSITION

(Continued from page 816)

exemplifies the costly experience of those who disregard the handwriting on the wall.

The American Steel Foundries has outstanding $8,381,300 7% cumulative preferred stock and $24,072,200 common stock, having a par value of $33⅓ per share. The company manufactures at its various plants heavy steel castings, railway equipment, automobile springs and similar specialties. It pays dividends at the rate of $3.00 per annum on its stock. Earnings during the first six months of the current year were equivalent to $4.38 a share on the stock outstanding. During the last six years, only in 1921, which was a year of deflation and adverse conditions in all lines of industry, was the dividend on the common stock not earned. However, average earnings for that period have been in excess of divi-

dend requriments on the present outstanding stock, although within that time stock dividends aggregating 36% have been distributed to stockholders.

Conclusion.

Judging from the record of these two companies, their present financial condition and commercial outlook, American Steel Foundries common is today a more desirable security than American Hide & Leather preferred. **By switching from the latter to the former, the investor will not only secure a yield of approximately 9% in place of no income on his present commitment, but, in all probability, save himself considerable further loss which he may incur by holding Hide & Leather preferred, hoping for a change in fundamental conditions or that some benevolently inclined group of speculators will put the stock up so he will be able to sell it at a high price.—V. E. S.**

WILL PNEUMATIC TOOL RAISE DIVIDEND?

(*Continued from page* 817)

have received dividends. The prevailing rate has been 4%, that having been paid in six of the 10 years. The rate was 8% in 1920, reduced to 5% in 1921, 4% in 1922 and put back to 5% in March, 1923.

To pay 5% on the present outstanding capital stock requires approximately $570,000. Until 1920 the company had a funded debt of between $2,500,000 and $3,000,000 which required interest payments in the neighborhood of $200,000 a year. There is not a similar charge against earnings now.

Conclusion

While the per-share earnings for 1923 cannot be established conclusively, the action of the shares is most interesting. The high price this year has been 90¾ and the low 75. At the present writing the shares are selling around 81, nine points down from the top, a decline only 50% as severe as that which had been suffered by the average of industrial prices. At first it would seem as if a stock paying dividends of $5 and selling at 81 is high enough. It must remembered that Chicago Pneumatic Tool has had a dividend record which extends unbroken to 1909, and this itself is a factor counting in favor of the shares. It also is likely that the stock is not widely distributed, therefore, making it less susceptible to the speculative fears of outsiders. While actual evidence is lacking it seems fair to advance the suggestion that possibly earnings are running at a rate large enough to inspire expectation of an increase in dividend rate. **In any event, the known earnings record of Pneumatic Tool, the established dividend record, the character of the management, and the action of the stock itself form a combination sufficiently strong to impress an observer with the stability of the shares.**

TEN STRONG PUBLIC UTILITY ISSUES

(*Continued from page* 807)

WALL STREET gave an analysis of the company's position. The stock has been depressed by passage of the Walker dollar gas bill enacted into law at the last session of the legislature, and, if sustained, would mean a rate reduction of 15 cents a thousand cubic feet. In view of the decision of the United States Supreme Court in March, 1922, throwing out the City's contention that it could fix rates by law not taking into account costs of gas manufacture, it is hardly likely that the court will reverse itself. Low price for the year on the common was 56¼, and stock is now well below the high of 69. For a stock of this character, the yield and chance for enhancement in value, should the market turn, appears attractive.

Laclede Gas Light Co. furnishing gas to St. Louis is one of the old-line gas companies and while only 9% was earned on the common last year the regular 7% rate is being paid, earnings are stabilized and there should be little fear for the safety of the dividend.

A Highly Speculative Issue

To the investor who can afford to place a portion of his funds in a non-dividend payer which is highly speculative, Tennessee Electric Power Co. common, selling at 12, is recommended on the strength of its possibilities for enhancement in value. Obviously, only a small percentage of one's investment fund should be utilized for a venture of this type. The company is an amalgamation of power companies effected a year ago operating public utility properties in the vicinity of Nashville, Chattanooga and Knoxville, Tenn. The twelve months ended June 30, rounded out a full year's operations since merger of the properties and showed company earned 13% on the second preferred stock on which no dividends are being paid, and $2.39 a share on the common which is selling around 12. Company is well managed, and, with numerous expansion plans under way, should be able to do better. The common sold as high as 19 this year.

Conclusion

For investment purposes, the suggestions among the unlisted public utility bonds appear attractive as giving a yield of 7% or better with indications that, when improved conditions in the bond market materialize, higher prices will be forthcoming reflecting steady improvement in earnings. The preferred stocks shown have been carefully selected. The common stocks are, of course, speculative, but earnings of the three companies shown are improving and general outlook is good. The Tennessee Power stock is frankly recommended as highly speculative and should be utilized only as a small part of one's investment fund and in the nature of a speculation for enhancement in value if earnings continue as indicated.

HALF-TRUTHS

(*Continued from page* 823)

to dealers. Apparently, the line is no proof that the issue has been securely lodged in its ultimate market, which is the investing public.

To buy issues, after reading such a line, in the belief that some additional safety accrues to them by reason of it, is to accept a half-truth.

Oftentimes, something nearer to the whole truth might be: "Requests already received from dealers by the underwriting syndicate have exhausted this bond issue so far as dealers are concerned, and no more dealer-applications can be entertained. It does not necessarily follow, however, that the bonds have already found their ultimate market."

Indeed, there is always a possibility that the public may not share dealers' confidence in a given issue, in which event large, unsold quantities of the bonds will remain, in dealers' hands, ready to be thrown on the market for what they will bring at any time.

EXAMPLE VII—(A paraphrase of a few OFFICIAL and innumerable UN-OFFICIAL statements that have been seen in print.) "The company earned, for the first nine months of the year, a sum equivalent to $35 *per share on its common stock."* Did it really? Fine! But was that after conservative deductions for depreciation, depletion, etc.? Will the full year's showing be in close correspondence with the nine months' showing? Will all this earnings' balance be available for distribution on the common stock? Or is some heavy charge likely to be made on account of inventory adjustment, special reserves, or something of the sort, when the year ends?

EXAMPLE VII—(From a Corporation President.) "The report that we are considering the reduction of our dividend rate is a canard. I deny it flatly. THE DIRECTORS HAVE NEVER HAD SUCH ACTION UNDER CONSIDERATION!"

Often nearer the whole truth: "The directors could scarcely have considered a dividend reduction, as a body, since they have not met together for any purpose since the factors you believe might lead to a dividend-reduction came into being. What action they will take in the matter when they do get together, I cannot foresee. I am only one director, and would not attempt to forecast the policy likely to be adopted by the whole Board."

EXAMPLE VII—(An actual statement, copied from the Curb column of a morning newspaper.) "Mining stocks were inactive and price-changes slight, except in Belcher Extension which, *on enormous dealings*, sold up 2 cents." The italics are ours.

Glancing from this to the transactions table in the same paper, we find that, during the day under review, transactions in Belcher Extension totaled 1,260,000 shares—undoubtedly enormous when one thinks how much wall that would cover—but that THE HIGHEST PRICE DURING THE DAY WAS 3 CENTS PER SHARE! Had all the transactions been at the highest price, we figure, the total sum involved would have been less than $38,000. Compare this with the dealings, on the same day, and in the same market, reported in S. O. Indiana, viz., 29,100 shares at an average price of about $50 per share, and involving a total sum of all but $1,500,000: A LITTLE OVER ONE-FORTIETH OF THE MONEY INVOLVED IN THE STANDARD OIL DEALINGS WOULD HAVE ACCOUNTED FOR THE WHOLE OF THE "ENORMOUS" TRANSACTIONS IN BELCHER EXTENSION!

The Curb reporter, responsible for this, had something just as good to talk about, incidentally. He might have said: "Belcher Extension, on transactions of about 12,000 blocks (100-share lots) fluctuated from as high as 3 cents a share to as low as 1 and closed at 2. Taking 2 as 100%, it is interesting to note that this issue fluctuated from the equivalent of $150 per share to the equivalent of $50 a share on a $100-stock, offering corresponding profits to the luck ones who sold at the top or bought at the bottom. No wonder penny mining stocks still lure the public!"

Other half-truths could be cited by the score. No doubt the reader could suggest a few himself.

The point is this: Half-truths are frequently dealt in in financial circles, just as they are dealt in everywhere else. One cannot afford to accept any statement, therefore, at its face value, until he has satisfied himself that it contains both halves of the truth which compose the whole.

As the old adage says: "A little knowledge is a dangerous thing!"

CHAT—

(*Continued from page* 826)

consider whether it is the high cost of living that is troubling our young married men with incomes of $2,500 to $5,000 or the lack of any sound standard of living, and, in consequence trying to keep up with our neighbors, that is one of the causes of the high cost of living. A clearly defined standard of living, and an independent attitude of mind will help one carry on despite a small income, and, as a rule, in the end the income will be increased.

But how many people today look ahead a year and plan the spending of their incomes *on paper?* How many know whether they will probably be $200 or more in debt at the end of the year or have that amount in the savings bank or some investment? How many know they are living extravagantly, even the $5,000-a-year-man, or as one man put it, "I am spending as though I am a $20,000 man and I am only a $5,000 one after all." How many people do you hear say "We cannot afford to live in that neighborhood," or "to have a car," or "to join all

those clubs this year?" How many are willing to put down in black and white their standard of living and compare it with their household expenses?

If the income is less than the cost of maintaining the standard of living, one thing to do is to increase the income. One man said he thought it would be easier to increase his income than reduce his living expenses, so he concluded he would go after a better paying position, and instead of a $2,000 salary he now has a $5,000 one. Oftentimes this survey of the standard of living and the living expenses show extravagances undreamed of, which are wholly unnecessary, and when eliminated make it easy to live within the income.

Yes, "Mr. Staff Member," the young married man with an income of $2,500 to $5,000 needs your help, but instead of talking about a better scale of living costs, suggest to him that he formulate *sound* standards of living, that he live within his income, but that he increase that income as soon as possible by courses of various kinds, by careful management, by wise investments, and that he cultivate an independent attitude of mind, so that he asks "What can I afford?" not "What is John Smith doing?"

Mr. Coolidge has said it. He has shown us the way to this sane living.

TWENTY STOCKS THAT SHOULD EARN $20 A SHARE IN 1923

(*Continued from page* 811)

pipe and sheets, it is the largest independent producer in the country, and also does a large business in bars, wire, nails and other steel products. It manufactures little iron beyond its own requirements for steel-making, and is planning to dispose of its excess iron-making capacity while adding to its finishing mills, thus helping to diversify its output.

The average earnings of all the properties represented by the present Youngstown Sheet & Tube Co. in the last ten years were $11.60 per share on the common stock of the latter now outstanding. Comparison with earlier years is difficult, however, because of the great changes in capitalization which the acquisition of the two newly-added properties made necessary. These include the assumption of outstanding bonds of the absorbed companies, including 25 millions of Steel & Tube and 10 millions of Brier Hill (except that of the latter 7 millions representing proceeds of the sale of bonds were still in the bank at the time of acquisition); and the issue of 40 millions of 6% debenture bonds, of which 17 millions went to retire Steel & Tube preferred at 110 and 14.5 millions to pay off Steel & Tube common stockholders at $15 a share.

The latter action is being contested by the Allied Chemical & Dye Corp., which was a stockholder in Steel & Tube, and although a hostile injunction was denied by a lower Federal court, the case is being appealed and it is possible that the sale may still be blocked.

The financial results of the mergers may be represented as follows, in millions:

Brier Hill:	
Bonds (assumed)	10
Preferred (exchanged for Youngstown pfd.)	5
Common	none
Steel & Tube:	
Bonds (assumed)	24.6
Preferred (retired at 110)	16.8
Common (retired at $15)	967,330 shares
Youngstown:	
Bonds (underlying)	35
Preferred (added to finance merger)	40

A further difficulty in estimating future earning power is the undoubted fact that when several steel companies whose resources and production facilities complement each other merge, the earning power of the combination is usually greater than the sum of the earning of the companies standing alone. This favorable factor should become more apparent as the consolidation of Youngstown's properties proceeds.

The financial position of the combination after the completion of recent financing is excellent, current assets totaling 88.6 millions while current liabilities amount to 24.6 millions, a ratio of 3½ to 1. Cash and loans out at call amount to 13.7 millions, while receivables, at 26.4 millions, are alone enough to pay off all current liabilities.

The earning power of the present Youngstown company, including the consolidations, appears to be sufficient, on the basis of results actually shown for the first six months of the current year, to enable it to double its present $5 dividend rate ultimately, without sacrifice of conservation in financial policy. As the current yield is about 7.6%, and earning power bids fair to be increased as the company's present productive resources are gradually better utilized, it would seem to present the most attractive opportunity among the steel stocks at the present time.

PULLING STANDARD OIL CHESTNUTS OUT OF THE FIRE

(*Continued from page* 793)

years in the oil business. The Standard of Indiana was severely criticised for reducing prices and even more bitterly attacked when it raised them to near former levels.

In the present instance, Governor McMaster has taken over to himself at least 50% of the censure which will arise from the present crisis.

The frantic drilling of the last three years has resulted in the finding of new pools, in California and elsewhere, and the drilling of about 4,000 new wells. These produce approximately about 1,000,000 bbls. daily, or an average of about 250 bbls. per well. The experience of the past is that these new wells will not be producing 50% of their present output six months from today. So that, unless further important pools are discovered, it is reasonable to conclude that by March 1 next, the 10% to 20% of production in excess of demand, will have disappeared and

we will again begin to hear the old familiar talk of an oil shortage. But meanwhile a tremendous amount of damage will have been done.

An end to oil over-production in six months is not intended as a prediction. It merely represents the best opinion in the industry, founded on past experience. To the investor in oil securities the present depression will mean great reductions in profits in some cases, heavy losses in others and complete disaster in still further instances. It behooves the investor, therefore, to go carefully over his list of oil securities, study their earnings' records, the personnel of their managements and above all their cash and quick assets position.

(The matter of the contents of the war-chests of leading oil companies will be considered in these pages in an early issue.)

That the strongest will survive is a truism. But that statement leads to another important angle of the situation. If it be true that the time of peace is one in which to prepare for war, it is equally true that in the time of war one should prepare for peace. The present depression in the oil business and decline in the prices of oil securites, presents an unusual opportunity for the long-pull investor. The time to buy good oil stocks is when good oil stocks are cheap. There are unmistakable evidences that accummulation is now going on, particularly in the Standard Oils and presumably by Standard Oil interests. Those shrewdest of all industrialists have builded their business, and incidentally their personal fortunes, by always having the courage and money to buy when the other fellow is selling.

READERS' ROUND TABLE

(*Continued from page* 829)

farmer. If the farmer-labor combination satisfies that portion of labor which joins their bloc and this labor has nothing else to gain by such association, it will mean still higher wages and costs and hardships to the farmer. Mankind must and will eat the farmer's products, no matter what wages may be. The whole artificial situation may be likened to a cat chasing its tail; wages go up and presto thereby the cost of living is raised, and we get nowhere.

Grasping Unfair Advantages

Only labor and raw materials enter into industry, and raw material is largely labor in cost of obtaining and preparing it. For a few months the advantage of a wage increase may hold for some little group of the population, but the cost of living catches up when the next groups get theirs as they always do, and then the process is repeated again and again without any place to stop. The net advantage gained is at the expense of the small-salaried man, if there is any advantage, and that, it might seem, is hardly worth the enormous efforts and turmoil. Someone must be at the small end for the others to gain.

It is all a matter of personal and group selfishness, attempting to obtain an unfair advantage of the rest of mankind, and as such is not moral for a Christian nation, nor actually successful in effect in the long run.

How much better it would be to advance on merit; the biggest men in the country have done so. Some capitalists may have taken unfair advantages before the modern unions, blocs, etc., but those capitalists are few in number and in most cases started as humble laborers, office boys, etc. Most of the wealth of the country and stocks in corporations are owned by people of moderate means. The ordinary citizen is supreme if he will just inform himself and vote.

When the poor man becomes rich he is no happier with his luxuries than he was when poor and he enjoyed what were luxuries to him then. Happiness is a state of mind, not the possession of riches as someone has said.

The remedy is not in running around circles or climbing a flag pole until it breaks with disaster. The old leaven of periodical panics is gone, eliminating that opportunity for readjustment, but what is to afford the needed stop to ceaseless climbing to a bigger disaster? Branting says:

"In the long run this (high wages and labor-farmer bloc) would be indeed the best thing for the country. For with a contented laboring class and a satisfied farming population, we would reach a situation wherein a steady amount of industrial activity could be obtained. The factories, in that case, would always work at close to capacity, our railroad systems could always earn reasonable amounts, and, in general, all our industrial and farm interests would benefit."

Now wages *are* high (very high) and there is no contentment. There never will be contentment as long as there are things to buy that are beyond the purse of any one, it is human nature. This (high and higher wages) is not then the answer.

Do High Wages Content?

Today in the coal regions of Western Pennsylvania many of the miners ride to work in their own automobiles and work two or three days a week. It is not uncommon for miners to make from $200.00 to $300.00 per month. They are not contented. There are too many mines and miners to work full time, even with the country 100% prosperous, and yet the wages for a few days a week are so high as to keep the miners in comparative luxury, and about every two years the wages are increased without securing the contentment that Mr. Branting visions. There are thousands of men working in the mines of Western Pennsylvania on part time who are not needed and who will not work full time in other local industries at lower wages, and they constitute a bloc of frozen labor badly needed elsewhere for the benefit of the country at large.

Today four boys not over eighteen years old and one young man perhaps twenty-one came looking for work, due

DIVIDENDS

The North American Company

**QUARTERLY DIVIDEND No. 78
ON COMMON STOCK**

A Quarterly Dividend on the Common Stock of the Company will be paid on October 1, 1923, in Common Stock at par at the rate of 2½%, to Common Stockholders of record at the close of business on September 6, 1923.

Stockholders who desire cash for the Common Stock which will be issuable to them in payment of such dividend may, by signing and returning order form provided for that purpose so that it shall be received by the Company not later than September 13, 1923, receive cash in the amount of $20. per share of Common Stock issuable in payment of such dividend, being equal to 50 cents per share (or 5% on par) of Common Stock held by them at the close of business September 6, 1923.

Attention is called to the fact that the present market value of the Common Stock is in excess of the amount which stockholders will receive who take cash. On such market basis the dividend is equivalent to about 55 cents per share.

**QUARTERLY DIVIDEND No. 9
ON PREFERRED STOCK**

A Quarterly Dividend of 1½% (75 cents per share) on the Six Per Cent. Cumulative Preferred Stock will be paid on October 1, 1923, to Preferred Stockholders of record on September 6, 1923.

The stock transfer books of the Company will not be closed.

ROBERT SEALY, Treasurer.

New York, August 27, 1923.

McCRORY STORES CORPORATION

"A dividend of 40c per share payable in Common stock and class B stock of the Company has been declared payable September 1, 1923, to Common stockholders of record August 20th, 1923, providing that whenever a stockholder will thereby be entitled to a fractional part of a share, the amount of such fractional part shall be paid in cash at the rate of $40.00 per share."

B. H. STENZEL, Sec'y.

**UNITED STATES REALTY
& IMPROVEMENT COMPANY
111 Broadway, New York.**

On July 12th, 1923, the Directors of this Company declared a dividend of two per cent (2%) on the common stock payable September 15th, 1923, to holders of record at the close of business on September 5th, 1923.

ALBERT E. HADLOCK,
Treasurer.

New York, August 29th, 1923.

THE WEST PENN COMPANY

New York, N. Y., August 23, 1923.

The Board of Directors of The West Penn Company has declared quarterly dividend No. 3 of fifty cents per share, payable upon the common capital stock of the Company on September 29, 1923, to stockholders of record at the close of business on September 15, 1923.

C. C. McBRIDE, Treasurer.

CANADIAN PACIFIC RAILWAY COMPANY

DIVIDEND NO. 109

At a Meeting of Directors held August 13th a Dividend of Two and one-half per cent. on the Common Stock for the quarter ended 30th June last, from Railway Revenues and Special Income, was declared payable 1st October next to shareholders of record at 3 p. m. on the 31st August next. By order of the Board.

ERNEST ALEXANDER, Secretary.

Montreal, August 13th, 1923.

NOTICE OF DIVIDEND

CRANE CO.

CHICAGO, ILLINOIS

August 14th, 1923.

The Board of Directors has this day declared a quarterly dividend of One Per Cent (1%) on the Common Stock, and One and three-quarters Per Cent (1¾%) on the Preferred Stock, payable September 15, 1923, to Stockholders of record at the close of business September 1, 1923.

H. P. BISHOP, Secretary.

THE BORDEN COMPANY

Preferred Stock Dividend No. 87

The regular quarterly dividend of 1½% has been declared on the preferred stock of this Company, payable September 15, 1923, to stockholders of record September 1st. Books do not close. Checks mailed.

SHEPARD RARESHIDE, Treasurer.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

136th Dividend.

The regular quarterly dividend of Two Dollars and twenty-five cents per share will be paid on Monday, October 15, 1923, to stockholders of record at the close of business on Thursday, September 20, 1923.

H. BLAIR-SMITH, Treasurer.

TEXAS GULF SULPHUR COMPANY

A quarterly distribution of $1.50 per share has been declared by the Board of Directors payable on September 15, 1923, to stockholders of record at the close of business on September 1, 1923.

Stockholders will be advised later as to what portion of said distribution is from Free Surplus and what from Reserve for Depletion.

H. F. J. KNOBLOCH, Treasurer.

to a shut-down of a mine. They were offered 45c. an hour for manufacturing work, paying 17c. an hour ten years ago, and with chance for early advance. "Nothing doing, we have been receiving $12.00 per day for eight hours." This is only one instance of many.

Bricklayers, carpenters, plumbers, machinists, railroad workers and so on, they are all getting wages undreamed-of ten years ago, *high* wages, and yet there is no contentment, and there will not be as long as more can be secured. All this is well known but somehow is seemingly not generally realized.

In the writer's humble opinion, the remedy lies in education, not in the ordinary sense of schooling except as applied to the children. A large percentage of those employed in coal mining, for example, are foreigners who a short time back were glad to get black bread to eat in Poland, Russia, and elsewhere, and we are glad to say live here in comfort beyond their greatest dreams in the old countries; yet they are not satisfied. Why? In all industries it is the same more or less.

These men know practically nothing of our institutions, our ideals. When they can read, their reading is confined to foreign-language papers, which are almost without exception hostile to our institutions and their limited knowledge is warped to such an extent as to be dangerous to the future welfare of the nation. It is not only the foreigners, but many Americans as well who work side by side with them, that are amazingly and dangerously ignorant of the things they should know, to be good citizens or even a dweller in this country. Little attention is paid to their enlightenment, other than by agitators. They act as best they can, not knowing what it means in the end.

Somehow the rudiments of simple economics must be instilled into these men, so they may be able to reason a little for themselves.

The word economics has an awesome sound, and to most of us it has been something theoretical, perhaps mildly important and yet of little practical everyday use. Something for college professors to talk about. Yet the rudiments of the science that treats of the production and distribution of wealth and our national institutions offers the remedy needed, if this knowledge is given to those who cannot get it otherwise and grope in the dark. What we need most is light.

We all need more knowledge of the whys and wherefores of our national life, and need to vote (which few do at all) for the benefit of the nation, for a farmer-labor bloc, let-the-rest-sink-or-swim.

If some big leaders of thought and men would undertake the task of getting real American thought, ideals and morality into the minds of the "Sore Labor, Sore Farmer and Afraid Business Man" (and the last two need some education too), and if publishers and writers would take the constructive side, quitting the sentimental, sensational sympathy articles, which only create discontent and breed disaster, it would help.

As individuals of the best place to live on earth, we need a spanking, all of us, for being selfish, envious, greedy and unappreciative to our God, for that which we have.

We have abundance to eat and good clothes to wear, own 85% of the automobiles in the world or on the average one for every eight people. Ours is the wealthiest nation in the world; most of which is possessed by the ordinary citizen. The wages are the highest in the world. The farmers for the most part own their farms, have good crops, have most of the conveniences of city life, live better and prosper more than any other farmers in the world. We have liberty and the right to make our own laws to suit the majority.

For the love of reason, what is it we want, must we argue, wrangle, strike, riot and get "sore" among ourselves and spoil what we have by selfishness and ingratitude?

Let us have discontent that leads to laudable ambition, but not this bitter, small wrangling on dividing the spoils.

What we have is the best in the world, why not appreciate it before it is taken away from us.

L. F. V.

SCHOOL FOR TRADERS AND INVESTORS

(*Continued from page* 840)

ditions as obtain in other lines of business. There have to be fat years and lean years. It is absolutely necessary to be able to survive the lean times. Many businesses fail for lack of capital. In the case of stock traders the position is difficult in one respect. They cannot raise capital in the way ordinary business men can. They must be their own bankers. Few traders allow themselves enough capital, and they confuse their trading funds with their personal monies. In any other line such a course is well understood to be a fatal error.

It seems to be the fact that most traders have to pass through a period of discouragement and loss which is ended more or less suddenly, by their "finding themselves." At that point they begin to make money, and if they adhere to their methods they are likely to progress fairly steadily to a point which is their limit. This phenomenon is a matter of common observation in regard to most business men. I have observed it in the case of stock traders on many occasions.

How long should it take a man of intelligence to discover if he possesses the necessary aptitude for stock trading, and how much money should his education cost him? I have been asked this question frequently, have given the matter considerable thought, and have watched the career of numerous traders. I have come across those who seemed to grasp the principles without much trouble, but who failed miserably when it became a matter of actual trading. They found it impossible to follow a method methodically. My belief is that the principles of trading are really by no means difficult to understand, but that only those who can train themselves to have no feelings, no hopes nor fears, and to follow a defi-

site method of operation consistently and persistently can succeed permanently. The number of those who are so constituted is relatively small. On the other hand, there are those who have the natural qualifications but fail because they have never been started along the right road, and have never regarded the matter from the correct viewpoint.

The direct cost, in dollars and cents, of the trader's experimental education need not be very high, comparatively, provided he approach the matter from a reasonable standpoint. He should, naturally, devote some time to a preliminary study of the market, and should make no actual trades at all until he has arrived at the point of being able to formulate some sort of a tentative method. Needless to say the watching and the study must come first, and the method be their more or less logical outcome. The next step is, obviously, to make experimental trades on the basis of whatever method—definite, distinctly specific method, no matter how crude—he may have outlined. Clearly, even then, he will still be only gambling blindly unless he will, from the start, put a fixed maximum limit to his risks and only trade in the minimum number of shares.

If, however, he will do these things he can have, from the start, the passive protection of those same laws of average which he will later expect to utilize actively to gain a positive advantage. Such a student-trader may reasonably be assumed to do no worse than to guess wrong part of the time—perhaps not much more than half the time. (Nor should he, in fact, expect to do much better than that subsequently, so far as the mere numerical proportion between good and bad guesses is concerned!) The real trouble with the inexperienced trader is likely to be that he will be apt to average only small profits on his good guesses and somewhere near his maximum loss on his bad ones. I have had many years' experience of these matters, and I am convinced that success in trading depends almost entirely upon success in controlling the size of losses and in minimizing risks of loss.

Securities Analyzed in This Issue